

Senator Day introduced-

S.F. No. 3426: Referred to the Committee on Taxes.

A bill for an act

relating to taxes; authorizing the city of Medford to impose a local sales and use tax.

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

Section 1. CITY OF MEDFORD; SALES AND USE TAX.

Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, at the next general election, the city of Medford may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Use of revenues. The proceeds of the tax imposed under this section must be used by the city of Medford to pay the costs of collecting and administering the tax and to pay up to \$5,000,000 in costs to improve the city's wastewater system and wastewater treatment plant. Authorized expenses include, but are not limited to, acquiring property and paying construction expenses and debt service on bonds or other obligations issued to finance acquisition and construction of the improvements.

Subd. 3. Bonding authority. (a) If the tax authorized under subdivision 1 is approved by the voters, the city may issue bonds under Minnesota Statutes, chapter 475, to pay the capital and administrative expenses for the improvement projects authorized under subdivision 2. The total amount of bonds issued for the projects listed in subdivision 2 may not exceed \$5,000,000 in aggregate. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

2.1 (b) The debt represented by the bonds is not included in computing any debt  
2.2 limitation applicable to the city of Medford, and the levy of taxes under Minnesota  
2.3 Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to  
2.4 any levy limitation.

2.5 Subd. 4. Termination of taxes. The tax imposed under this section expires at the  
2.6 earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford  
2.7 City Council determines that the amount of revenues received from the tax equals or  
2.8 exceeds the sum of \$5,000,000, plus an amount equal to the costs related to the issuance of  
2.9 bonds under subdivision 3, including interest on the bonds. Any funds remaining after  
2.10 completion of the projects and retirement or redemption of the bonds may be placed in the  
2.11 general fund of the city. The tax imposed under subdivision 1 may expire at an earlier  
2.12 time if the city so determines by ordinance.

2.13 EFFECTIVE DATE. This section is effective the day after compliance by the  
2.14 governing body of the city of Medford with Minnesota Statutes, section 645.021,  
2.15 subdivision 3.

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

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# Senate

State of Minnesota

## **S.F. No. 3426 - Local Sales and Use Tax for the City of Medford**

**Author:** Senator Dick Day

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 27, 2006

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This bill authorizes the city of Medford to impose a sales and use tax of up to one-half of one percent to pay for improvements to the city's wastewater system and treatment plant. The sales tax is subject to approval by the voters at the next general election.

If the voters approve the imposition of the tax, the city is authorized to issue up to \$5,000,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation, and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 20 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA • REVENUE

## LOCAL SALES AND USE TAX Medford

March 27, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 3426 (Day) / H.F. 3814 (Fritz)

The bill authorizes the city of Medford to impose a general sales and use tax of 0.5%.

The bill would have no impact on any state fund. Revenue from the proposed tax would go to the city of Medford for the purposes specified in the bill.

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)

sf3426(hf3814)\_1 / tfe

#1

# CITY OF MEDFORD

## How Do We Pay?

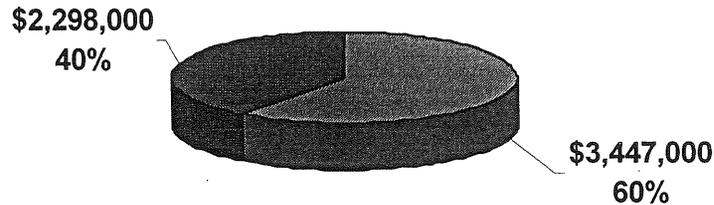
Interim and Final Treatment Improvements – Capital Costs

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How do we pay back the loans?

Sewer Rates & Fees =	\$ 3,447,000
Sales Tax Revenues =	<u>\$ 2,298,000</u>
	<b>\$ 5,745,000</b>

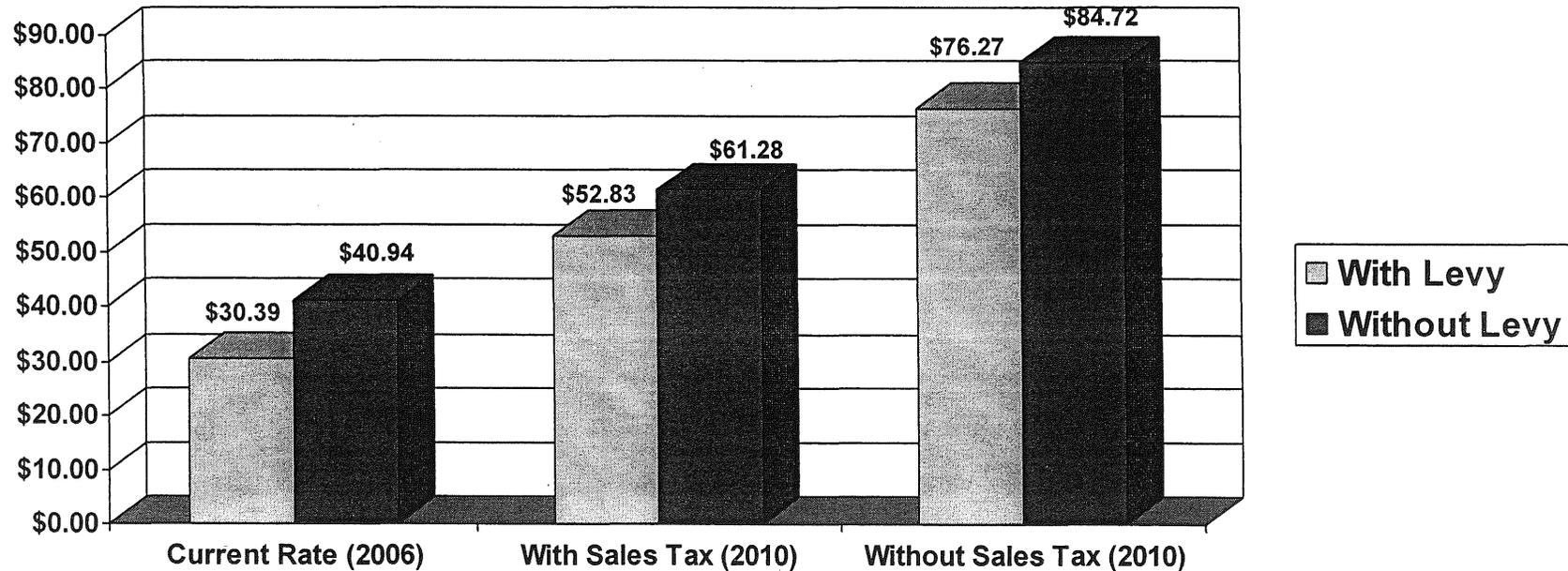
■ Sewer Rates & Fees  
■ Sales Tax Revenues



# CITY OF MEDFORD

## EFFECT ON SEWER RATES

### Residential Sewer Charge Comparison



Based on average 3/4" meter

Currently a portion of the sewer expenses is levied (put on property tax). This chart reflects the current rate structure (with levy); and the rate if the City would discontinue levying a portion of the sewer expenses and pay 100% of the expenses through the sewer rates.

#2

**Public Hearing  
for the**



City of  
**Medford**

**Amended Wastewater Treatment  
Facility Plan**

March 27, 2006

**Amended Wastewater  
Treatment Facility Plan**

- ◆ Wastewater Terms and Abbreviations
- ◆ Background Information
- ◆ Design Considerations/Parameters
- ◆ Review Interim and Final Improvements
- ◆ Project Costs, Funding Sources and Projected User Costs
- ◆ Next Steps and Proposed Project Schedule
- ◆ Answer Any Questions

**Wastewater Terms  
and Abbreviations**

- ◆ Million gallons per day (MGD)
- ◆ Carbonaceous Biological Oxygen Demand (CBOD)
- ◆ Total Suspended Solids (TSS)
- ◆ Nutrients - Ammonia Nitrogen (NH<sub>3</sub>-N) and Phosphorous (P)
- ◆ Milligrams per liter (mg/l)

**Wastewater Terms  
and Abbreviations**

- ◆ Mechanical Wastewater Treatment Facility
  - Biological treatment using mechanical equipment, concrete structures and discharging continuously
- ◆ Biosolids - solids produced in the treatment process

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## **Background Information**

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- ◆ Facility Constructed in 1968
- ◆ Facility Upgraded in 1993
  - Biosolids Storage
  - Ultraviolet Disinfection (UV)
- ◆ Discharge to the Straight River
- ◆ City received Notice of Violation from MPCA for various discharge violations.

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## **Summary of 2002 Facility Plan**

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- ◆ City of Medford has a comprehensive plan for continued growth
- ◆ Current facility is at design capacity
- ◆ Possible discharge permit changes
  - Phosphorous
  - Ammonia Nitrogen
- ◆ Current facility is at design capacity and cannot treat future design flows and loadings

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## **Summary of 2002 Facility Plan**

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- ◆ Evaluated three treatment options
  - Regionalization with Owatonna
  - Expand Existing Facility
  - Construct New Mechanical Treatment Facility
- ◆ Chosen Alternative – Expand Existing Facility

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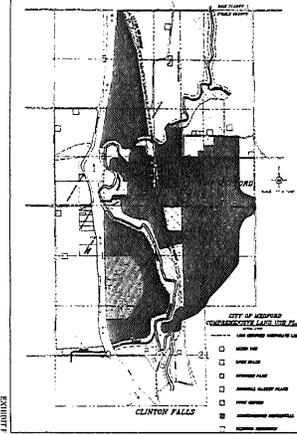
## **Design Considerations and Parameters**

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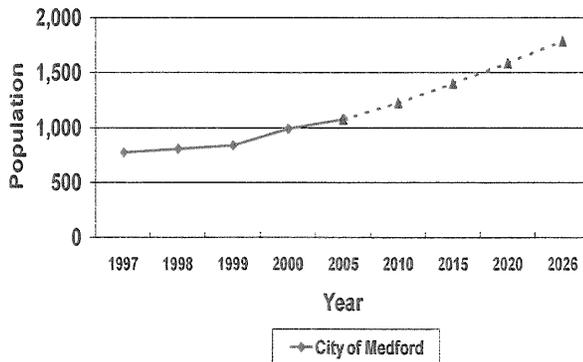
- ◆ Planning Period and Service Area
- ◆ Population Projections and Design Parameters
- ◆ Treatment Standards
- ◆ Evaluate Existing Wastewater Treatment Facility

## Planning Period and Service Area

- ◆ 20-Year Planning Period
- ◆ Service Area (City Limits and Proposed Expansion Areas)



## Population Projections



## Design Parameters

<u>Parameter</u>	<u>Design Year</u>	<u>Existing Capacity</u>
ADW Flow (mgd)	0.310	0.090
AWW Flow (mgd)	0.405	0.090
CBOD (lb/day)	483	248
TSS (lb/day)	549	248
P (lb/day)	13	----
NH <sub>3</sub> -N (lb/day)	88	----

## Treatment Standards

<u>Parameters</u>	<u>Current Continuous Discharge)</u>	<u>Future Continuous Discharge)</u>
CBOD	25 mg	15 mg/l*(8 kg/day)
TSS	30 mg/l	30 mg/l* (10 kg/day)
Phosphorous	---	1.0 mg/l*
Fecal Coliform	200/100 ml	200/100 ml
pH	6.0-9.0	6.0-9.0
Dissolved Oxygen	---	Greater than 5
Chlorine Residual	0.1	0.038 mg/l
Ammonia Nitrogen	---	1.0 mg/l*

\*Anticipated limits from the MPCA. Limits may be mass limited.

## Existing Wastewater Treatment Facility

- ◆ Mechanical treatment facility utilizing contact stabilization activated sludge process
- ◆ Facility can treat 90,000 gpd and 248 lbs BOD per day
- ◆ Continuous discharge to the Straight River



## Existing Wastewater Treatment System

- ◆ Existing facility has exceeded 20 year design life
- ◆ Does not have adequate capacity for future growth
- ◆ Cannot meet future treatment standards for phosphorous and ammonia nitrogen
- ◆ Current facility has difficulty treating high flows
- ◆ Located within the 100 year flood plain

## **How Solve Problems at the Treatment Facility?**

- ◆ Cost to complete full treatment improvements outlined in 2002 Facility Plan cost prohibitive at this point
- ◆ Council decided to implement “interim” treatment improvements
- ◆ “Final” treatment improvements completed after “interim” improvements capacity is used up by growth.
- ◆ “Interim” improvements will be integrated into “final” improvements.

## **Interim Treatment Improvements**

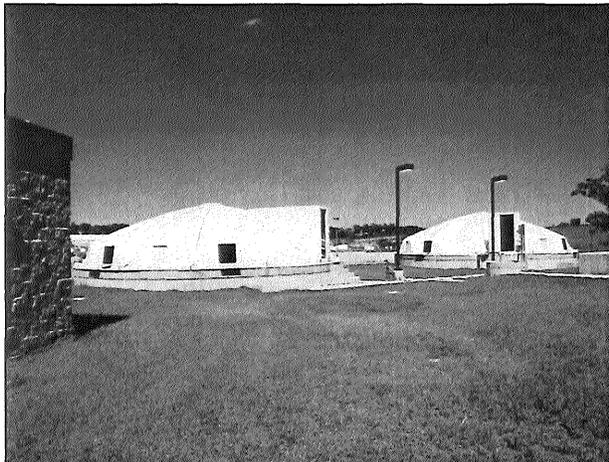
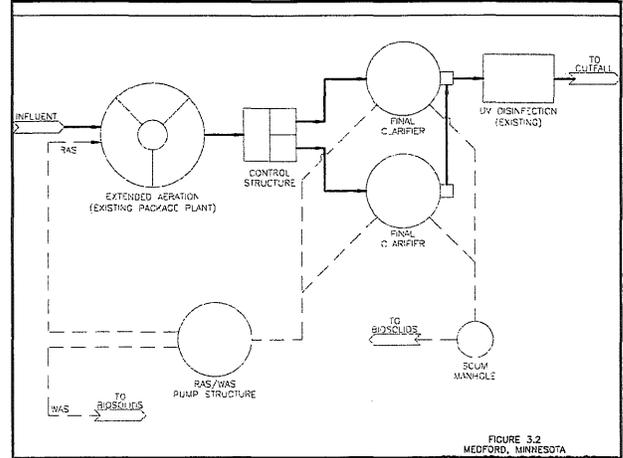
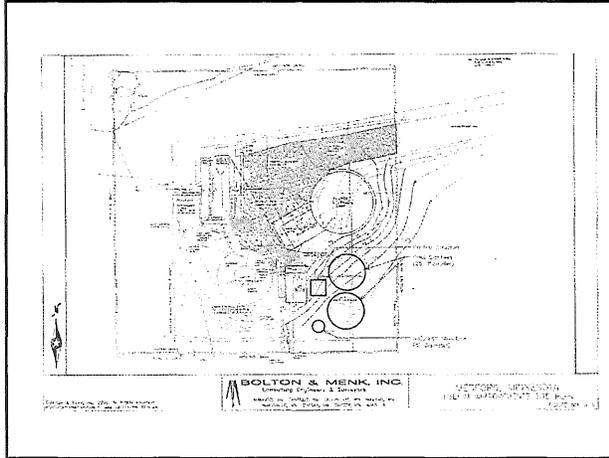
- ◆ Convert “package plant” to extended aeration activated sludge process
- ◆ Construct two new final clarifiers
- ◆ Construct RAS/WAS structure with pumps
- ◆ Clarifiers used as part of final improvements

## **Interim Treatment Improvements**

- ◆ Extended aeration improvements
  - Easier to operate
  - Can handle peak flows and loadings

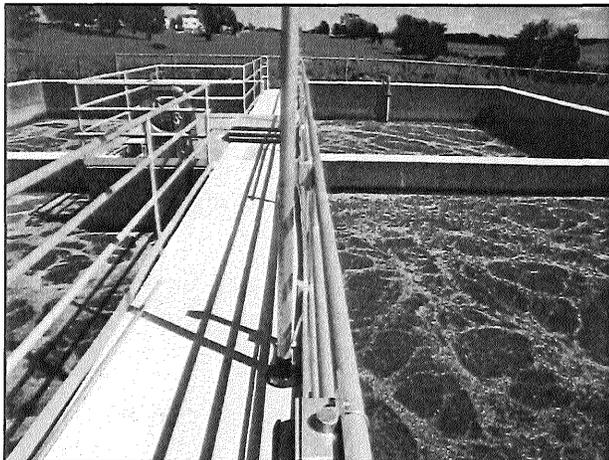
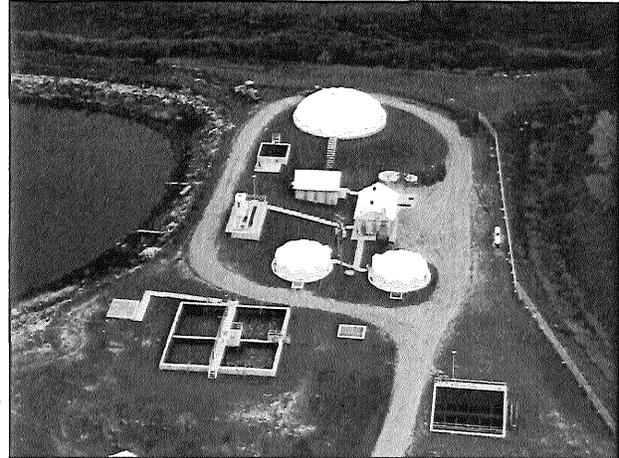
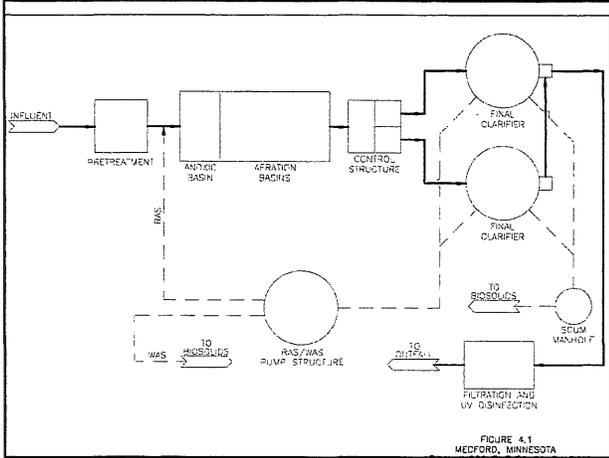
## **Interim Treatment Improvements**

- ◆ Treatment Capacity
  - 140,000 gpd
  - Add approximately 148 additional homes or equivalent dwelling units (EDUs)
  - Construct on existing property



## Final Treatment Improvements

- ◆ Upgrade lift station
- ◆ New aeration basins
- ◆ Used final clarifiers from interim improvements
- ◆ Sand filters (tertiary treatment)
- ◆ New UV disinfection
- ◆ Aerobic digester (convert existing package plant)
- ◆ Control building modifications



### Estimated Capital Costs Interim Treatment Improvements

Mobilization	\$ 100,000
Aeration Improvements	85,000
Clarifiers	310,000
Chemical Feed	25,000
Site Work	190,000
HVAC	20,000
Electrical/Controls	125,000
<b>Subtotal</b>	<b>980,000</b>
<u>Contingencies, Eng., Legal and Admin.</u>	<u>\$245,000</u>
<b>Total</b>	<b>\$1,225,000</b>

### Estimated Capital Costs Final Treatment Improvements

Mobilization	\$ 350,000
Upgrade Lift Station	155,000
Diking/Grading/Flood-Proofing	200,000
Pretreatment Facility	345,000
Aeration Improvements	700,000
Final Clarifiers modifications	15,000
Filtration/Disinfection Improvements	450,000
Sludge Storage Cover	80,000
Heated Aerobic Digestion	100,000
Chemical Feed	50,000
Samplers	20,000
Control Building Modifications	100,000
Site Work	400,000
Generator	100,000
HVAC	180,000
Electrical/Controls	370,000
<b>Subtotal</b>	<b>\$3,615,000</b>
Contingencies, Eng., Legal and Admin.	\$905,000
<b>Total</b>	<b>\$4,520,000</b>

### Estimated Annual Operation and Maintenance (O&M) Costs

Item	Interim Improvements	Final Improvements
Salaries and Benefits	---	\$70,000
Utilities	\$10,000	\$35,000
Chemical Costs	\$5,000	\$13,000
Equipment Replacement	\$5,000	\$10,000
<b>Annual O &amp; M Costs</b>	<b>\$20,000</b>	<b>\$128,000</b>

### Cost Effective Summary

Item	Interim Improvements	Final Improvements
Capital Costs	\$ 1,225,000	\$ 4,520,000
Equivalent Annual Costs *	82,000	303,000
OM & R Costs	20,000	128,000
<b>Total Equivalent Annual Costs</b>	<b>\$ 102,000</b>	<b>\$ 431,000</b>

\*Based on 20 years @ 3 percent

### Project Funding Sources Evaluated

- ♦ Minnesota Public Facilities Authority
  - low interest loans (20 year term)
  - wastewater infrastructure funds (WIF grants)
- ♦ USDA-Rural Development
  - low interest loans (40 year term)
  - grants
- ♦ Department of Trade & Economic Development
  - small cities block grant program (LMI benefit)
  - grants for industrial economic development
- ♦ General Obligation or Revenue Bonds
  - Water/Sewer
  - Special Assessment
  - Tax Increment
- ♦ Local Sales Tax Option

S.F. 3624 (Bakk)

1.1 A bill for an act  
1.2 relating to the city of Ely; authorizing the city to impose a sales and use tax.  
1.3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.4 Section 1. CITY OF ELY; TAXES AUTHORIZED.

1.5 Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section  
1.6 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
1.7 voters pursuant to Minnesota Statutes, section 297A.99, the city of Ely may impose by  
1.8 ordinance a sales and use tax of up to one percent for the purposes specified in subdivision  
1.9 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes,  
1.10 section 297A.99, govern the imposition, administration, collection, and enforcement of  
1.11 the tax authorized under this subdivision.

1.12 Subd. 2. Use of revenues. The proceeds of the tax imposed under this section  
1.13 shall be used for the following:

- 1.14 (1) land acquisition and site development;
- 1.15 (2) installations of improvements authorized by Minnesota Statutes, chapter 429;
- 1.16 (3) development or redevelopment activities in the central business district of Ely;
- 1.17 (4) business park development;
- 1.18 (5) development of a small business incubator;
- 1.19 (6) development of a technology center; and
- 1.20 (7) improvements to the Ely Community Center and City Hall needed to bring them  
1.21 into compliance with the Americans with Disabilities Act.

1.22 Subd. 3. Bonding authority. The city of Ely may issue bonds in an amount not  
1.23 to exceed \$6,000,000 under Minnesota Statutes, chapter 475, to finance the capital  
1.24 expenditures and improvements authorized by the referendum under subdivision 4. An

2.1 election to approve the bonds under Minnesota Statutes, section 475.58, is not required.  
2.2 The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section  
2.3 275.60 or 275.61. The debt represented by the bonds must not be included in computing  
2.4 any debt limitations applicable to the city, and the levy of taxes required by Minnesota  
2.5 Statutes, section 475.61, to pay the principal or any interest on the bonds and must not  
2.6 be subject to any levy limitation.

2.7 Subd. 4. Termination of tax. The tax authorized under subdivision 1 terminates at  
2.8 the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the Ely  
2.9 City Council determines that the amount of revenues raised to pay for the projects under  
2.10 subdivision 2 shall meet or exceed the sum of \$6,000,000, plus the amount needed to  
2.11 finance the capital and administrative costs of the projects specified in subdivision 2, and  
2.12 to repay or retire at maturity the principal, interest, and premium due on any bonds issued  
2.13 for the projects under subdivision 3. Any funds remaining after completion of the projects  
2.14 specified in subdivision 2, and retirement or redemption of the bonds in subdivision 3,  
2.15 may be placed in the general fund of the city. The tax imposed under subdivision 1 may  
2.16 expire at an earlier time if the city so determines by ordinance.

2.17 EFFECTIVE DATE. This section is effective the day after compliance by the  
2.18 governing body of the city of Ely with Minnesota Statutes, section 645.021, subdivisions  
2.19 2 and 3.

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

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DIRECTOR

# Senate

State of Minnesota

## **S.F. No. 3624 - Local Sales and Use Tax for the City of Ely**

**Author:** Senator Thomas Bakk

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 27, 2006

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This bill authorizes the city of Ely to impose a sales and use tax of up to one percent to be used for the following: (1) land acquisition and site development; (2) installations of improvements authorized by Minnesota Statutes, chapter 429; (3) development or redevelopment activities in the central business district of Ely; (4) business park development; (5) development of a small business incubator; (6) development of a technology center; and (7) improvements to the Ely Community Center and City Hall as needed to bring them into compliance with the Americans with Disabilities Act. The sales tax is subject to approval by the voters at the next general election.

If the voters approve the imposition of the tax, the city is authorized to issue up to \$6,000,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation, and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 20 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA · REVENUE

## LOCAL SALES AND USE TAX

Ely

March 28, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of a Proposal for an Ely Sales and Use Tax (SC4623)

The proposal authorizes the city of Ely to impose a general sales and use tax of up to 1.0%.

The proposal would have no impact on any state fund. Revenue from the tax would go to the city of Ely for the purposes specified in the proposal.

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)

Ely sales tax / tfe

Senator Dibble introduced—

S.F. No. 2896: Referred to the Committee on Taxes.

A bill for an act relating to property tax refunds; modifying the definition of household income; amending Minnesota Statutes 2005 Supplement, section 290A.03, subdivision 3.

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

Section 1. Minnesota Statutes 2005 Supplement, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

- 2.1 (vii) workers' compensation;
- 2.2 (viii) nontaxable strike benefits;
- 2.3 (ix) the gross amounts of payments received in the nature of disability income or
- 2.4 sick pay as a result of accident, sickness, or other disability, whether funded through
- 2.5 insurance or otherwise;
- 2.6 (x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code of
- 2.7 1986, as amended through December 31, 1995;
- 2.8 (xi) contributions made by the claimant to an individual retirement account,
- 2.9 including a qualified voluntary employee contribution; simplified employee pension plan;
- 2.10 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)
- 2.11 of the Internal Revenue Code; or deferred compensation plan under section 457 of the
- 2.12 Internal Revenue Code;
- 2.13 (xii) ~~nontaxable scholarship or fellowship grants;~~
- 2.14 ~~(xiii)~~ the amount of deduction allowed under section 199 of the Internal Revenue
- 2.15 Code; and
- 2.16 ~~(xiv)~~ (xiii) the amount of deduction allowed under section 220 or 223 of the Internal
- 2.17 Revenue Code.

2.18 In the case of an individual who files an income tax return on a fiscal year basis, the

2.19 term "federal adjusted gross income" shall mean federal adjusted gross income reflected

2.20 in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be

2.21 reduced by the amount of a net operating loss carryback or carryforward or a capital loss

2.22 carryback or carryforward allowed for the year.

2.23 (2) "Income" does not include:

- 2.24 (a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and
- 2.25 102;
- 2.26 (b) amounts of any pension or annuity which was exclusively funded by the claimant
- 2.27 or spouse and which funding payments were not excluded from federal adjusted gross
- 2.28 income in the years when the payments were made;
- 2.29 (c) surplus food or other relief in kind supplied by a governmental agency;
- 2.30 (d) relief granted under this chapter;
- 2.31 (e) child support payments received under a temporary or final decree of dissolution
- 2.32 or legal separation; ~~or~~
- 2.33 (f) restitution payments received by eligible individuals and excludable interest
- 2.34 as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act
- 2.35 of 2001, Public Law 107-16; or

3.1 (g) nontaxable scholarship or fellowship grants, or the cash value of any tuition  
3.2 discount provided by a postsecondary education institution.

3.3 (3) The sum of the following amounts may be subtracted from income:

3.4 (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

3.5 (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

3.6 (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

3.7 (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

3.8 (e) for the claimant's fifth dependent, the exemption amount; and

3.9 (f) if the claimant or claimant's spouse was disabled or attained the age of 65 on  
3.10 or before December 31 of the year for which the taxes were levied or rent paid, the  
3.11 exemption amount.

3.12 For purposes of this subdivision, the "exemption amount" means the exemption  
3.13 amount under section 151(d) of the Internal Revenue Code for the taxable year for which  
3.14 the income is reported.

3.15 EFFECTIVE DATE. This section is effective for claims based on property taxes  
3.16 payable in 2007 and following years, and for claims based on rent paid in 2006 and  
3.17 following years.

B  
with  
refund

1.1 Senator ..... moves to amend S.F. No. 2896 as follows:

1.2 Page 3, after line 17, insert:

"Sec. 2. **COLLECTION ACTION PROHIBITED.**

1.4 Notwithstanding Minnesota Statutes, section 289A.60, subdivision 12, or any other  
1.5 law to the contrary, the commissioner of revenue shall not disallow any part of a claim  
1.6 for a property tax refund filed in 2005 or an earlier year to the extent that the claim  
1.7 was excessive because it did not include in the claimant's income as determined under  
1.8 Minnesota Statutes, section 290A.03, subdivision 3, the cash value of a tuition discount  
1.9 provided by a postsecondary education institution.

1.10 **EFFECTIVE DATE.** This section is effective the day following final enactment."

1.11 Amend the title accordingly

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

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**Senate**

State of Minnesota

**S.F. No. 2896 - Property Tax Refund Income Definition**

**Author:** Senator D. Scott Dibble

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

**Date:** March 28, 2006

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This bill provides that nontaxable scholarship or fellowship grants, or the cash value of any tuition discount provided by a postsecondary education institution, will not be counted as income for an individual who is claiming the property tax refund. The current law definition of income for purposes of the property tax refund specifically includes nontaxable scholarship or fellowship grants, but is silent with respect to tuition waivers. The bill is effective for claims based on property taxes payable in 2007 or rent paid in 2006, and subsequent years.

JZS:dv

#3

2004-

# Lines 1-6

## Line instructions

You must round the amounts on Form M1PR to the nearest dollar. Drop any amount less than 50 cents and increase any amount that is 50 cents or more to the next higher dollar.

If the line does not apply to you or if the amount is zero, leave it blank.

## Household income—lines 1-8

To apply for the property tax refund, you must complete lines 1 through 8 to determine your total household income. If you are applying with your spouse, you must include both of your incomes.

Your total household income is not the same income listed on your income tax return. It is your federal adjusted gross income, plus types of nontaxable income (lines 2 through 5), minus your dependent, elderly or disabled subtraction (line 7).

**Homeowners:** If you are filing only for the special property tax refund on your homestead, skip lines 1-11 and lines 13 and 14.

### Line 1

#### Federal adjusted gross income

See the special instructions on page 6 (if you are a renter) or page 7 (if you are a homeowner).

Enter your federal adjusted gross income from your 2003 federal income tax return. If the amount is a net loss (a negative amount), enter the negative number. To show a negative amount, mark an X in the oval box provided. If you did not file a 2003 federal return, obtain a federal return and instructions to determine what your federal adjusted gross income would have been.

If you and your spouse filed separate federal returns, but are filing a joint Form M1PR, enter the total of both federal adjusted gross incomes on line 1 of your Form M1PR.

If you and your spouse did not live together for the entire year and you filed joint federal returns, but are filing separate forms M1PR, see the example on page 6 (if you are a renter) or page 7 (if you are a homeowner) to determine each spouse's federal adjusted gross income to include on line 1.

If line 1 of your Form M1PR is not the same as on your federal return, you must include an explanation with your Form M1PR.

### Line 2

#### Nontaxable Social Security and/or Railroad Retirement Board benefits

The total amount of Social Security benefits and/or Railroad Retirement Board benefits you received in 2003 must be included in your household income. Also include amounts deducted for payments of Medicare premiums.

Enter on line 2 the amount from box 5 of Form SSA-1099 or RRB-1099.

However, if a portion of the benefits was taxable and you listed an amount on line 20b of federal Form 1040 or line 14b of Form 1040A, complete the following steps to determine the amount to enter on line 2:

- A Total Social Security benefits, or Railroad Retirement Board benefits (from box 5 of Form SSA-1099 or RRB-1099) ... \_\_\_\_\_
- B Taxable portion from line 20b of federal Form 1040 or line 14b of Form 1040A ... \_\_\_\_\_
- C Subtract step B from step A. Enter here and on line 2 of your Form M1PR ..... \_\_\_\_\_

Do not include Social Security income for dependents.

### Line 5

#### Additional nontaxable income

Enter your total nontaxable income received in 2003 that is not included on lines 1 through 4. Enter the type(s) of income in the space provided on line 5.

Common examples include:

- workers' compensation benefits
- your contributions to an employee elective deferral plan, such as a 401(k), 403(b), 457 deferred compensation or SIMPLE/SEP plan
- contributions made to a dependent care account (as shown on your W-2 form) and/or medical expense account
- nontaxable transit and parking expenses or contributions to a 125 cafeteria plan
- veterans' benefits
- nontaxable scholarships, fellowships and grants for education, including those from foreign sources
- nontaxable pension and annuity payments (include all lump-sum distributions received from a pension and all disability and long-term disability payments)

- federally nontaxed interest and mutual fund dividends
- income excluded by a tax treaty
- a reduction in your rent for caretaking responsibilities. Enter the difference between your actual rent and the amount your rent would have been if you had not been the caretaker
- housing allowance for military or clergy
- strike benefits
- employer paid education or adoption expenses
- the gain on the sale of your home excluded from your federal income

Also—to the extent they reduced federal adjusted gross income—include the following losses and deductions on line 5:

- capital loss carryforward
- net operating loss carryforward/carryback
- current year passive activity losses in excess of current year passive activity income
- prior year passive activity loss carryforward claimed in 2003 for federal purposes
- amount of any medical savings account deduction claimed on federal Form 1040

#### Do not include on line 5:

- Minnesota property tax refunds
- child support payments
- a dependent's income, including Social Security
- any state income tax refunds not included on line 1
- the dollar value of food, clothing, food stamps and medical supplies received from government agencies
- payments from life insurance policies
- payments by someone else for your care by a nurse, nursing home or hospital
- fuel assistance payments
- IRA rollovers
- gifts and inheritances
- nontaxable Holocaust settlement payments
- distributions received from a Roth IRA or any pension or annuity that you funded exclusively, for which your contributions could not be taken as a federal tax deduction.

### Line 6

Add lines 1 through 5 and enter the result on line 6. If the result is zero or less, leave line 6 blank.

If your income is less than the rent you paid, enclose an explanation of the source of funds used to pay your rent.

# Lines 1-6

2005

## Line instructions

You must round the amounts on Form M1PR to the nearest dollar. Drop amounts less than 50 cents and increase amounts 50 cents or more to the next higher dollar.

If the line does not apply to you or if the amount is zero, leave it blank.

## Household income— lines 1-8

To apply for the property tax refund, you must complete lines 1 through 8 to determine your total household income. If you are applying with your spouse, you must include both of your incomes.

Your total household income is not the same income listed on your income tax return. It is your federal adjusted gross income, plus types of nontaxable income (lines 2 through 5), minus your dependent, elderly or disabled subtraction (line 7).

**Homeowners:** If you are filing only for the special property tax refund on your homestead, skip lines 1-11 and lines 13 and 14.

### Line 1

#### Federal adjusted gross income

See the special instructions on page 6 (if you are a renter) or page 7 (if you are a homeowner).

Enter your federal adjusted gross income from your 2005 federal income tax return. If the amount is a net loss (a negative amount), enter the negative number. To show a negative amount, mark an X in the oval box provided. If you did not file a 2005 federal return, obtain a federal return and instructions to determine what your federal adjusted gross income would have been.

If you and your spouse filed separate federal returns, but are filing a joint Form M1PR, enter the total of both federal adjusted gross incomes on line 1 of your Form M1PR.

If you and your spouse did not live together for the entire year and you filed joint federal returns, but are filing separate Forms M1PR, see the example on page 6 (if you are a renter) or page 7 (if you are a homeowner) to determine each spouse's federal adjusted gross income to include on line 1.

If line 1 of Form M1PR is not the same as on your federal return, you must include an explanation with your Form M1PR.

### Line 2

#### Nontaxable Social Security and/or Railroad Retirement Board benefits

The total amount of Social Security benefits and/or Railroad Retirement Board benefits you received in 2005 must be included in your household income. Also include amounts deducted for payments of Medicare premiums.

Enter the amount from box 5 of Form SSA-1099 or RRB-1099. However, if a portion of the benefits was taxable and you listed an amount on line 20b of federal Form 1040 or line 14b of Form 1040A, complete the following steps to determine line 2:

- 1 Total Social Security benefits, or Railroad Retirement Board benefits (from box 5 of Form SSA-1099 or RRB-1099) . . . . .
- 2 Taxable portion from line 20b of federal Form 1040 or line 14b of Form 1040A . . . . .
- 3 Subtract step 2 from step 1. Enter here and on line 2 of your Form M1PR . . . . .

Do not include Social Security income for dependents.

### Line 5

#### Additional nontaxable income

Enter your total nontaxable income received in 2005 that is not included on lines 1 through 4. Enter the type(s) of income in the space provided on line 5.

Common examples include:

- workers' compensation benefits
- your contributions to an employee elective deferral plan, such as a 401(k), 403(b), 457 deferred compensation or SIMPLE/SEP plan
- contributions made to a dependent care account (as shown on your W-2 form) and/or medical expense account
- nontaxable transit and parking expenses or contributions to a 125 cafeteria plan
- veterans' benefits
- nontaxable scholarships, fellowships, grants for education and qualified tuition reduction, including those from foreign sources
- nontaxable pension and annuity payments, including lump-sum distributions and disability payments. However, do not include distributions received from a Roth IRA or any pension or annuity that you funded exclusively, for which your contributions could not be taken as a federal tax deduction.

- income excluded by a tax treaty
- federally nontaxed interest and mutual fund dividends
- a reduction in your rent for caretaking responsibilities. Enter the difference between your actual rent and the amount your rent would have been if you had not been the caretaker
- housing allowance for military or clergy
- nontaxable military earned income, such as combat pay
- strike benefits
- employer paid education or adoption expenses
- the gain on the sale of your home excluded from your federal income
- for homeowners, the income of persons, other than a spouse, dependent or renter, for the period of time that they lived with you during the year

Also include on line 5 the following losses and deductions to the extent they reduced federal adjusted gross income:

- capital loss carryforward
- net operating loss carryforward/carryback
- current year passive activity losses, including rental losses, in excess of current year passive activity income
- prior year passive activity loss carryforward claimed in 2005 for federal purposes
- health savings account, Archer MSA and the domestic production activities deductions

#### Do not include on line 5:

- Minnesota property tax refunds
- child support payments
- a dependent's income, including Social Security
- any state income tax refunds not included on line 1
- the dollar value of food, clothing, food stamps and medical supplies received from government agencies
- payments from life insurance policies
- payments by someone else for your care by a nurse, nursing home or hospital
- fuel assistance payments
- IRA rollovers
- gifts and inheritances
- nontaxable Holocaust settlement payments

### Line 6

Add lines 1 through 5. If the result is zero or less, leave line 6 blank.

**If your income is less than the rent you paid, enclose an explanation of the source of funds used to pay your rent.**

**Senators Rest, Pogemiller and Moua introduced--  
S.F. No. 2481: Referred to the Committee on Taxes.**

A bill for an act

relating to local government; removing the expiration on the authority for  
Hennepin and Ramsey Counties to impose a mortgage registry and deed tax;  
repealing Minnesota Statutes 2004, sections 383A.80, subdivision 4; 383B.80,  
subdivision 4.

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

Section 1. **REPEALER.**

Minnesota Statutes 2004, sections 383A.80, subdivision 4; and 383B.80, subdivision  
4, are repealed.

APPENDIX

Repealed Minnesota Statutes: 06-5791

**383A.80 RAMSEY COUNTY DEED AND MORTGAGE TAX.**

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2008.

**383B.80 HENNEPIN COUNTY DEED AND MORTGAGE TAX.**

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2008.

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

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**Senate**

**State of Minnesota**

**S.F. No. 2481 - Ramsey and Hennepin County Mortgage  
and Deed Taxes**

**Author:** Senator Ann Rest

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

**Date:** March 28, 2006

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This bill removes the expiration date on the authority provided to Ramsey County and Hennepin County to impose a mortgage registry tax at the rate of .0001 of the principal and a deed tax at the rate of .0001 of the taxable amount. The laws authorizing these local taxes were enacted in 1997, and the revenues received from the taxes were required to be placed in environmental response funds for each county. Each county's law currently provides that the authority to impose the taxes expires January 1, 2008.

JZS:dv

# MINNESOTA • REVENUE

## COUNTY MORTGAGE REGISTRY TAX AND DEED TAX Hennepin and Ramsey Counties

March 27, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 2481 (Rest)/ H.F. 3135 (Abrams)

The bill would repeal the expiration date for the authority of Hennepin County and Ramsey County to impose a mortgage registry tax at the rate of .0001 of the principal and a deed tax at the rate of .0001 of the taxable amount. Currently, the authority to impose the taxes expires January 1, 2008.

The bill would have no impact on any state funds. Revenue from these taxes must be deposited in each county's environmental response fund.

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)

sf2481(hf3135)\_1/cej

#5



# Environmental Response Fund

## Creating New Jobs and Homes in a Built-Up Urban Environment

In 1997 the Minnesota legislature enacted State Statute 383A.80 enabling Ramsey County to impose a mortgage registration and deed tax equal to .0001 ~~percent~~ of the principal amount of a mortgage on real property. The Ramsey County Board established an Environmental Response Fund in December 2002 and began collecting revenue on February 1, 2003. Revenues collected as of the end of January 9, 2006 were \$3,076,714. The first ERF funding award was made to the Saint Paul Port Authority to clean up the Dale Street Shops/Maxson Steel site, the first priority for use of the fund.

The Environmental Response Fund (ERF) provides financial assistance of last resort to clean-up contaminated properties where redevelopment is not independently financially feasible. Clean-up funding may be used to assist projects that result in new jobs at decent wages, new housing units for working families, urban green space and tax base revitalization.

### Program Accomplishments (May 2005 - March 2006)

The Ramsey County HRA has awarded \$1,978,887 in ERF assistance to 6 projects; remaining funds of approximately 1.5 million will be awarded in June 2006 depleting available funds. There is a backlog of approximately \$730,000 in unfunded requests as the County seeks to foster equity between city and suburban development opportunities.

- Funds awarded to date will result in 485 new jobs and 939 housing units.
- ERF funds foster \$14.2 million resulting in the clean-up of about 80 acres of unuseable property.
- ERF funds leverage \$212 million in new commercial/industrial/residential development and are expected to generate \$5.76 million in increased property tax potential.

**Although in operation for less than two years, Ramsey County's ERF Program demonstrates how effectively funds collected to date may be used to remediate and revive the urban/suburban core. The need to continue these efforts is huge if we are to have the resources to reclaim precious land for higher and better use. Removal of the legislative sunset provision will promote long-term reinvestment and revitalization.**

Some current projects on other side

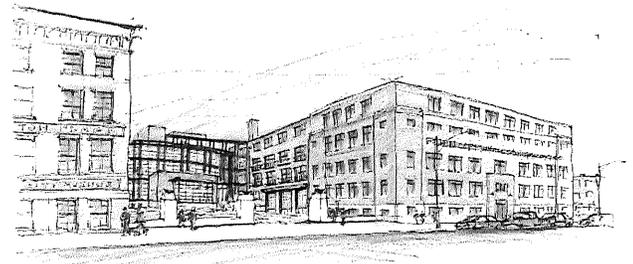


Ramsey County, the smallest, most developed and densely populated county in the State, has some of the most polluted property. Without the Environmental Response Fund, the four projects described below would not be possible. Ramsey County could not achieve this success without authorization from its forward-looking State Legislature.



### Carleton Place Lofts

- Located on the proposed University Avenue transit route
- 170 new affordable housing units
- Restoration of the historic Johnson Liquor Warehouses
- Removal and environmental remediation of asbestos, lead, petroleum pollutants in the soil and off-site ground water contaminants will permit the additional development of 250 housing units, outdoor courtyards and community rooms for workshop and gallery spaces encouraging a work/live lifestyle.



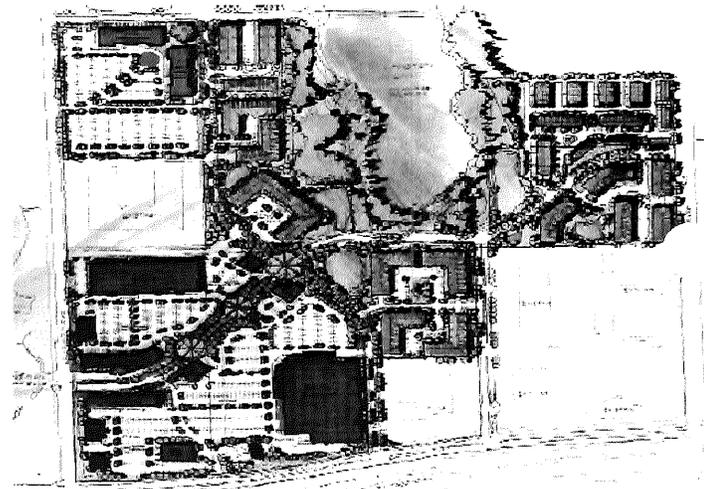
### The Dale Street Shops - (Great Northern Business Center)

- 13 acre brownfields reclamation
- Located in one of Saint Paul's most impoverished and ethnically diverse neighborhoods
- Buildings for three new businesses under construction
- More than 100 new jobs will be created paying at least \$10.50/hour plus benefits



### Twin Lakes, Phase I

- Continued redevelopment of underutilized truck terminal, storage and general industrial land
- Located along County Road C in Roseville
- Phase I - Byerly's commercial development (with County Community Development Block Grant funding)
- Currently cleaning up 45 acres plagued with widespread petroleum contamination as well as pockets of other subsurface and hazardous materials seeping into the soil, groundwater and Langdon Lake.
- Commercial/industrial development resulting in 400 jobs, 540 residential units
- Assessed value of \$275 million



### The Village at Little Canada

- Serious petroleum contamination
- 26,000 square foot redevelopment at Little Canada Road and Rice Street
- 50-75 new living wage jobs
- Project complements earlier County investment in a 79 unit senior rental building and 45 owner-occupied townhomes across the road

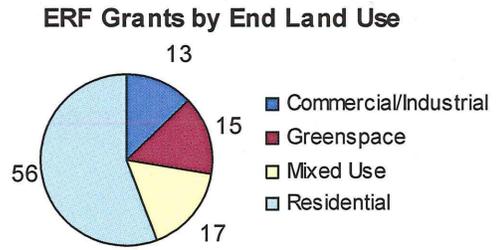
#6

In 1997, State statute 383B.80 authorized Hennepin County to collect a mortgage registry and deed tax for deposit into an Environmental Response Fund (ERF). In broad terms, the ERF was to be used to fund the cleanup of contaminated sites within Hennepin County. The statute established a state superfund site in the City of St. Louis Park as the first priority for the ERF.

- Grant program established in 2001
- Administered by Hennepin County’s Department of Environmental Services
- Administered *without* using ERF to cover administrative costs of the program
- Leverages funding from other local, state, federal, and private sources
- Provides funding for sites where the planned end use is publicly owned property (e.g. greenspace, school, and municipal facilities); where contamination impedes developing a mix of affordable and moderately priced market rate housing; and where contamination precludes economic development without outside assistance

**Program Results**

- 101 grants for activities such as environmental assessment, soil/groundwater cleanup, asbestos/lead paint abatement
- 2,867 affordable housing units created or preserved



**Examples of Grant Projects**

National Lead Priority Site, St. Louis Park

Contamination Assessment



Rendering of Post-Cleanup Development



As a result of past industrial operations and on-site waste disposal, this site is contaminated with lead, cadmium, arsenic, and petroleum. Cleanup will begin during early spring of 2006. Building construction is planned to commence on September 15, 2006, and should be completed by February of 2007. The redeveloped site will be the home of the Highway 7 Business Center – a 79,000 square-foot office, showroom, and warehouse building that will create an estimated 350 jobs and a \$5.2 million increase in property value.

Former Lithium Corporation of America Site, St. Louis Park

Cleanup of Contaminated Soil



New Commercial Building



Past industrial use of this site resulted in soil and groundwater contamination. Prior to redevelopment, the site was a vacant and blighted property located adjacent to a school and park. It had a history of illegal activities, including a meth lab, and was the subject of numerous police calls. Cleanup enabled the land to be redeveloped with a new commercial building.

West River Commons, Minneapolis

Contaminated Gas Station



Mixed Use (Residential/Commercial) Building



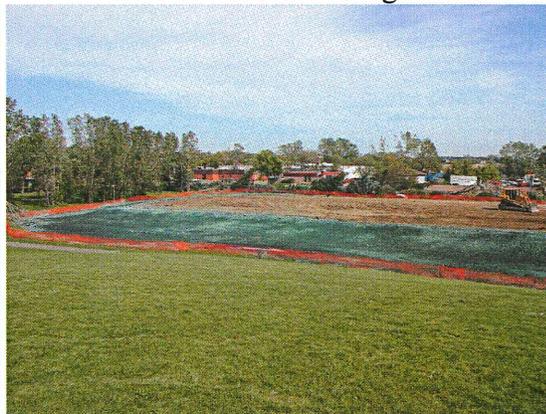
Leaks from a former gas station at this site had contaminated the soil and groundwater. Impacted soil was removed and a vapor barrier installed to allow for construction of a multi-story commercial/residential building. The residential component of the development includes 53 rental units, of which 11 are affordable. The commercial space consists of a pizza take-out, dry cleaner drop-off, coffee shop, and restaurant.

## Brooklyn Park Dump

Cleanup of Contaminated Soil



Site of Future Skating Rinks



A portion of this public park was fenced off to prevent public access to an area where near-surface PCB contaminated soil and waste were known to be present. An environmental assessment determined the extent and magnitude of the contamination, and the subsequent remediation of the site provided a protective cap. The area will be used for skating rinks.

### **Examples of Mortgage Registration Tax (MRT) and Deed Tax (DT)**

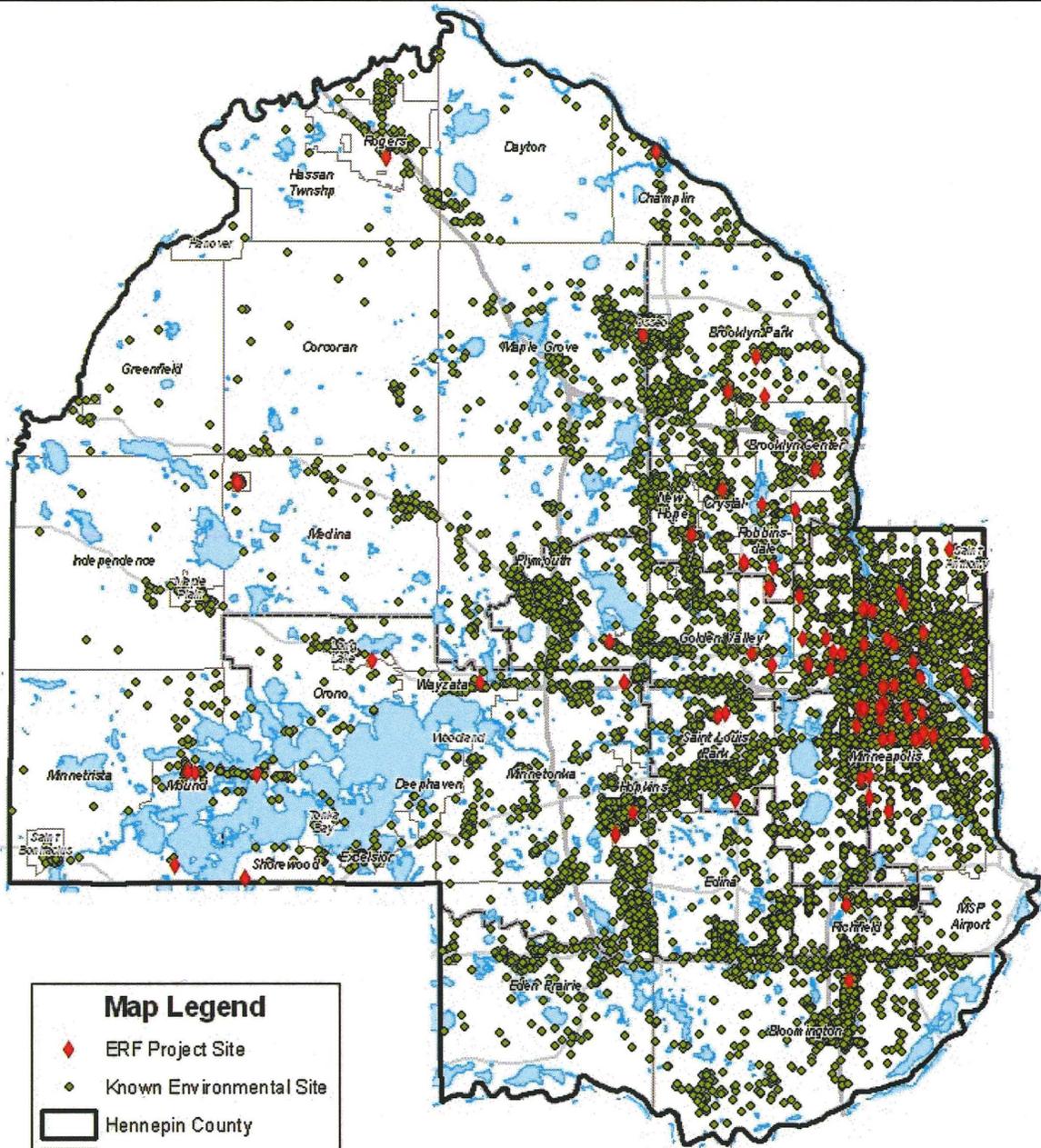
<b>Real Estate Purchase</b>	<b>MRT</b>	<b>DT</b>	<b>Total</b>
\$150,000	\$15.00	\$15.00	\$30.00
\$300,000	\$30.00	\$30.00	\$60.00

<b>Mortgage Refinance</b>	<b>MRT</b>	<b>DT</b>	<b>Total</b>
\$150,000	\$15.00	\$0.00	\$15.00
\$300,000	\$30.00	\$0.00	\$30.00

Note: Both the mortgage registry tax and the deed tax are collected at a rate of .01¢ per \$100. The deed tax is not collected during a mortgage refinance.



# ERF Project Sites and Known Environmental Sites



**Map Legend**

- ◆ ERF Project Site
- ◆ Known Environmental Site
- Hennepin County
- Municipal Boundaries
- Lakes

**Major Roads**

- Interstate Highways
- State & U.S. Highways



**Hennepin County**  
 Department of Environmental Services  
 Environmental Information Division