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Summary of 2001 Property Tax Laws

2001 Minnesota Legislative Regular and
Special Session

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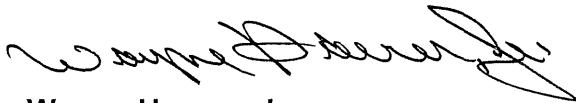
The Property Tax Division of the Minnesota Department of Revenue is pleased to provide this summary of the historic property tax law changes passed by the 2001 Minnesota Legislature during the regular and special sessions and signed by Governor Jesse Ventura.

The purpose of the *Summary of 2001 Property Tax Laws* is to provide property tax administrators and their service organizations with an organized and condensed source of information to make them aware of the many legislative changes affecting the property tax laws this year.

It should be noted that, except for a few cases that may involve the Department of Revenue, the *Summary of 2001 Property Tax Laws* does not cover the property tax laws that specifically relate to school districts. This dimension of the property tax system is handled by the Minnesota Department of Children, Families and Learning. Please call (651) 582-1612 for more information regarding property taxes and school districts.

If you have suggestions for improving future editions of the *Summary*, please contact Maureen Arnold at (651) 297-7975.

Sincerely,



Wayne Haerer, Jr.
Director
Property Tax Division

The following is a list of abbreviations used in this summary.

CECT	Common Elements Certificate of Title
CFL	Children, Families and Learning <i>Department of</i>
CPT	Certificate of Possessory Title
CREP	Conservation Reserve Enhancement Program
CRP	Conservation Reserve Program
DHS	Department of Human Services
DOC	Department of Corrections
DOR	Department of Revenue
DOT	Department of Transportation
EAC	Education Agricultural Credit
EHC	Education Homestead Credit
EMV	Estimated Market Value
HACA	Homestead and Agricultural Credit Aid
HGA	House, Garage and first Acre
HRA	Housing Redevelopment Authority
LGA	Local Government Aid
LMV	Limited Market Value
M.S.	Minnesota Statutes
MRT	Mortgage Registry Tax
NTC	Net Tax Capacity
PCA	Pollution Control Agency
PERA	Public Employees Retirement Association
PUC	Public Utilities Commission
RIM	Reinvest in Minnesota
SFIA	Sustainable Forest Incentive Act
SS	Special Session
TIF	Tax Increment Financing
TNT	Truth in Taxation

**LIST OF 2001 LAWS
INCLUDED IN THIS SUMMARY**

<u>Subject</u>	<u>H.F./S.F. Number</u>	<u>Chapter Number</u>	<u>Date Signed</u>
Real Property Ownership	H.F. 239	50	4/26/2001
Reinvest in Minnesota	S.F. 1164	99	5/15/2001
County Offices: Cass and Hubbard	S.F. 510	105	5/17/2001
County Offices: Goodhue	H.F. 2036	184	5/24/2001
Omnibus Tax Bill	H.F. 1	Special Session Chapter 5	6/30/2001
Omnibus State Department Appropriation Bill	S.F. 9	Special Session Chapter 10	6/30/2001

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A. PROPERTY ASSESSMENT**ABATEMENTS****SS Chapter 5, Article 15, Section 25
Abatements; Governing Body**

Amends M.S. 469.1812, subdivision 2

Clarifies that the board of supervisors is the governing body for property tax abatements by towns.

The 1999 Legislature authorized town boards (rather than the annual meeting) to approve abatements. When this change was made, the reference in the definition of governing body was not changed. This section corrects that mistake.

Effective Date: Retroactive to the date of the 1999 change - May 26, 1999.

**SS Chapter 5, Article 15, Section 26
Abatements; Duration Limit**

Amends M.S. 469.1813, subdivision 6

Clarifies that the duration extension for abatements (from 10 to 15 years) when only two political subdivisions approve an abatement applies to both political subdivisions, not just the requesting unit of government.

Effective Date: For abatements approved after the day following final enactment.

**SS Chapter 5, Article 15, Section 27
Abatement Levy**

Amends M.S. 469.1814 by adding subdivision 6

Authorizes political subdivisions to increase their abatement levies to make up for shortfalls resulting from class rate compression.

Effective Date: For abatement levies payable beginning in 2002.

**SS Chapter 5, Article 15, Section 28
Abatement Bonds; Approval**

Amends M.S. 475.58, subdivision 1

Limits the referendum exemption for abatement bonds. Abatement bonds used for buildings primarily used to conduct the business of a unit of government must require approval by the voters in a referendum.

Effective Date: For bonds issued or sold after the day following final enactment (July 1, 2001).

GENERAL PROVISIONS**Chapter 99, Section 1
Reinvest in Minnesota; Landowner
Definition**

Amends M.S. 103F.511, subdivision 6

Modifies the definition of "landowner" for purposes of participation in RIM. "Landowner" is now defined as an individual or entity that is not prohibited from owning agricultural land and either owns eligible land or is

purchasing eligible land under a contract for deed.

Effective Date: None listed so August 1, 2001.

Chapter 99, Section 2 Reinvest in Minnesota; Payments

Amends M.S. 103F.515, subdivision 6

Increases the amount of payments per acre to participants in RIM to the following amounts:

- \$125 (from \$75) for limited duration easements
- \$150 (from \$100) for perpetual easements
- up to \$200 (from \$150) for limited duration easements for native species restoration
- up to \$300 (from \$200) for perpetual easements for native species restoration
- up to \$600 (from \$300) for wetland restoration
- up to \$250 (from \$200) for limited duration easements for planting trees
- up to \$400 (from \$300) for perpetual easements for planting trees

Effective Date: None listed so August 1, 2001.

SS Chapter 5, Article 2, Section 8 Referendum Market Value

Amends M.S. 126C.01, subdivision 3

Amends the definition of "referendum market value" to exclude the market

value of class 2 agricultural and timberland property and class 4c noncommercial seasonal recreational residential property. Class 2a property consisting of the HGA of an agricultural homestead is included in the referendum market value.

Effective Date: Taxes payable in 2002 and thereafter.

SS Chapter 5, Article 3, Section 23 Limited Market Value

Amends M.S. 273.11, subdivision 1a

Extends the LMV for five more years. LMV had been scheduled to expire after the 2001 assessment (taxes payable in 2002), so that all property would have been taxed at its full estimated market value beginning with taxes payable in 2003.

According to the new schedule, all property will be taxed at its full estimated market value beginning with taxes payable in 2008.

The new schedule is as follows:

Assessment year 2002, the increase will not exceed the greater of:

- 1) 10 percent of the value in the preceding assessment, or
- 2) 15 percent of the difference.

Assessment year 2003, the increase will not exceed the greater of:

- 1) 12 percent of the value in the preceding assessment, or
- 2) 20 percent of the difference.

Assessment year 2004, the increase will not exceed the greater of:

- 1) 15 percent of the value in the preceding assessment, or
- 2) 25 percent of the difference.

Assessment year 2005, the increase will not exceed the greater of:

- 1) 15 percent of the value in the preceding assessment, or
- 2) 33 percent of the difference.

Assessment year 2006, the increase will not exceed the greater of:

- 1) 15 percent of the value in the preceding assessment, or
- 2) 50 percent of the difference.

Class 2b timberland is also added to the types of property covered by LMV. Previously only residential and agricultural homestead or nonhomestead and noncommercial seasonal recreational property were eligible for LMV.

Effective Date: The day following final enactment (July 1, 2001) but the addition of timberland property is initially effective for the 2001 assessment.

**SS Chapter 5, Article 3, Section 16
Wind Energy Conversion Systems**

Amends M.S. 272.02, subdivision 22

Defines how the total size of wind energy conversion systems is to be determined for purposes of property taxation.

The nameplate capacity of all wind energy conversion systems located within five miles of each other, constructed in the same calendar year, and under the same ownership will be

combined to determine if the system is a small, medium, or large scale system.

Effective Date: For wind energy conversion systems installed after January 2, 2001.

**SS Chapter 5, Article 3, Section 24
Vacant Land Platted Before August 1, 2001**

Amends M.S. 273.11, subdivision 14

Restricts the current method of assessing vacant land to land that was platted before August 1, 2001.

Previously it had been on all land platted on or after August 1, 1991.

Effective Date: For land platted before August 1, 2001.

**SS Chapter 5, Article 3, Section 25
Vacant Land Platted On or After August 1, 2001; Metropolitan Counties**

Amends M.S. 273.11 by adding subdivision 14a

This new subdivision retains the current three year market value phase-in time period for vacant land platted on or after August 1, 2001, that is located in the seven metropolitan counties.

Effective Date: For land platted before July 31, 2001.

**SS Chapter 5, Article 3, Section 26
Vacant Land Platted On or After
August 1, 2001; Non-Metropolitan
Counties**

Amends M.S. 273.11 by adding
subdivision 14b

Changes the phase-in for land located outside the seven metropolitan counties that is platted on or after August 1, 2001, and not improved with a structure, from the current three year market value phase-in time period to a seven year phase-in time period.

Previously, the assessor determined the market value of each individual lot based upon the highest and best use of the property as unplatted land.

This section changes the phase-in of market value for land located outside the metropolitan area to one-seventh of the difference between the property's unplatted and platted value in each of the seven subsequent assessment years.

Hence, it will take seven years instead of the current three years for property that is not developed to be brought up to full market value. If construction begins before the expiration of the seven years (or three years, as was the case previously) that lot will be eligible for revaluation in the next assessment year.

Effective Date: For land platted after July 31, 2001.

**SS Chapter 5, Article 7, Section 19
Green Acres; Valuation**

Amends M.S. 273.111, subdivision 4

Strikes references to a repealed subdivision that required sales data to be correlated with soil survey information for specified locations.

That provision was repealed because the information generated by the soil survey was too specific to be useful.

The stricken references are in the context of developing agricultural-use market values for land in Green Acres program and were stricken because the data referenced is no longer available.

Effective Date: The day following final enactment (July 1, 2001).

HOMESTEADS**SS Chapter 5, Article 3, Section 27
Homestead Rules**

Amends M.S. 273.124, subdivision 1

Adds "elderly assisted living facility" to the list of permitted reasons for a property owner to not reside at their homestead yet still receive homestead treatment. Provides that an assessor must not deny homestead treatment to property that is owned by an individual who is absent from the property due to residence in such a facility.

Previously, only those owners residing in a nursing home or boarding care facility were permitted to keep their property homesteaded even though they no longer lived there.

Note: See the DOR October 2000 Property Tax Bulletin on Elderly Assisted Living Care Facilities.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 28
Agricultural Homesteads Owned or Leased**

Amends M.S. 273.124, subdivision 8

This section clarifies what types of entities (family farm corporations, limited liability companies, joint family farm ventures, and partnerships) are eligible to receive the agricultural homestead classification.

Basically makes the terminology more consistent and adds the words "family farm" to the type of entities where it was lacking before. It is not an expansion of the definition.

This section of law was previously amended in 1999 and again in 2000 as part of the extension of homestead benefits to farming entities having multiple ownerships.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 29
Homestead Reductions; Limitation**

Amends M.S. 273.124, subdivision 11

Eliminates homestead borrowing (also known as carryover) for the following properties:

- commercial and residential split classifications, and
- four units or more including residential homestead.

This change eliminates the carryover since the valuation subject to the first tier class rate on residential property has increased from \$76,000 to \$500,000. So for the above properties that have a split classification involving an owner-occupied unit, the homestead benefits only apply on the value of the owner-occupied unit.

Properties containing three units or less, including a residential owner-occupied unit, are unaffected by this change. So homestead treatment involving duplexes and triplexes is unchanged.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 30
Homestead Benefits; Application**

Amends M.S. 273.124, subdivision 13

Adds the new Residential Homestead Market Value and Agricultural Homestead Market Value Credits to the definition of "homestead benefits." Also makes technical changes to the homestead application section by inserting "homestead" in a few places from which it inadvertently had been omitted.

Effective Date: For homestead applications submitted on or after the day following final enactment (July 1, 2001).

SS Chapter 5, Article 3, Section 31 Agricultural Homesteads; Special Provisions

Amends M.S. 273.124, subdivision 14

This section makes several changes to special agricultural homesteads, also known as "actively farming" homesteads.

Modifies the definition of who is allowed to actively farm the agricultural property to include:

- the owner,
- the owner's spouse, or
- a son or daughter of the owner or owner's spouse either on the person's own behalf as an individual or on behalf of a qualified entity in which they are a partner, shareholder, or member. (A qualified entity includes a family farm, family farm corporation, joint family farm venture or a limited liability company.)

Previously the law had only permitted the owner, or the owner's son or daughter, to actively farm. The owner's spouse and the children of the owner's spouse were not included.

In addition, the only entity that previously qualified for homestead were those where the owner and the active farmer were the only members of the entity.

Makes some technical changes to the requirement that the owner and the person actively farming the property must be Minnesota residents so the wording is consistent with the definition

of who can actively farm.

Adds an exception to the requirement that the owner or the person actively farming live within four township or cities from the agricultural property. If the owner or the owner's spouse is *required* as a condition of their employment to live in employer-provided housing that is more than four townships or cities away from the agricultural property, then the farm property is still eligible for the special agricultural homestead.

Also adds that real property held by a trustee under a trust is eligible for "actively farming" homesteads by substituting "grantor" for "owner" in the definitions of special agricultural homestead requirements in the case of trusts.

Allows property to qualify that is actively farmed by a member of a qualified entity, but not owned by the entity, if it is leased to the entity. Previously the law required that the land be owned by the entity.

Effective Date: Taxes payable in 2002 and thereafter.

EXEMPT PROPERTY

SS Chapter 5, Article 3, Section 13 Biomass Facility; Exemption

Amends M.S. 216B.2424

This section makes a new biomass generation facility eligible to satisfy a portion of the biomass mandate imposed on Xcel Energy in the 1994 Prairie Island legislation.

The facility must meet all of the following requirements:

- have a generating capacity of between 10 and 20 megawatts;
- located north of Constitutional Route No. 8 (this area includes Duluth, Floodwood, Swan River, Grand Rapids, Cass Lake, Bemidji, Bagley, Erskine, Crookston, East Grand Forks and intervening and adjacent communities);
- utilize biomass residue wood, sawdust, bark, chipped wood, or brush to generate electricity; and
- be operational by December 31, 2002.

The existing, five-year property tax exemption for electric generation machinery and equipment for biomass facilities is extended to a biomass facility qualifying in this section.

Effective Date: The day following final enactment (July 1, 2001).

SS Chapter 5, Article 3, Section 17 Residential Buildings on Temporary Sites; Exemption

Amends M.S. 272.02, by adding subdivision 46

Provides newly constructed buildings (but not the land) an exemption from property taxes if they are:

- intended for future residential occupancy;

- on a temporary foundation and intended to be moved;
- not used as a model or for any other business purposes;
- not connected to any utilities; and
- located on land that will not be sold with the building.

The exemption is for only one assessment year after the date of its initial construction.

Effective Date: 2001 assessment year and thereafter.

SS Chapter 5, Article 3, Section 18 Poultry Litter Biomass Generation Facility; Personal Property Exemption

Amends M.S. 272.02, by adding subdivision 47

Exempts attached machinery and other personal property that is part of an electrical generating facility from property taxes if, at the time of construction, it is designed to use poultry litter as a primary fuel source and is constructed for the purpose of generating power at a facility that is sold under a contract approved by the PUC that meets the biomass mandate under M.S. 216B.2424.

In order to be eligible for the exemption, construction of the facility must begin after January 1, 2000, and before December 31, 2002.

The exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

Effective Date: 2001 assessment year and thereafter.

**SS Chapter 5, Article 3, Section 19
Waste Tire Cogeneration Facility;
Personal Property Exemption**

Amends M.S. 272.02, by adding subdivision 48

Exempts attached machinery and other personal property that is part of an electric generating facility from property taxes as long as it is designed to use waste tires as a primary source and is a cogeneration electric generating facility of 1 to 25 megawatts of installed capacity.

In order to be eligible for the exemption, construction of the facility must begin after January 1, 2000, and before January 1, 2004.

This exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Effective Date: 2001 assessment year and thereafter.

**SS Chapter 5, Article 3, Section 20
Agricultural Historical Society;
Exemption**

Amends M.S. 272.02, by adding subdivision 49

Exempts property owned by a nonprofit charitable or educational organization from property taxes if it meets the

following criteria:

- the organization qualifies as a 501(c)(3) federal tax exemption;
- the property is primarily used for storing and exhibiting historical items (primary use is determined each year based on the number of days the property is used solely for storage and exhibition purposes);
- the property is limited to 20 acres per owner per county;
- the property is not used for a revenue-producing activity for more than ten days per year; and
- the property is not used as a residence, either temporarily or permanently.

Effective Date: 2001 assessment year and thereafter.

**SS Chapter 5, Article 3, Section 21
Biomass Electrical Generation
Facility; Personal Property
Exemption**

Amends M.S. 272.02, by adding subdivision 50

Exempts attached machinery and other personal property from property taxes if it is part of a biomass electrical generating facility that meets the following requirements at the time of construction:

- designed to utilize biomass as a primary fuel source;
- constructed for the purpose of generating power that will be sold under a contract approved by the PUC in accordance with a biomass mandate imposed under M.S. 216B.2424; and
- construction of the facility must begin after January 1, 2000, and

before December 31, 2002.

This exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

Effective Date: 2001 assessment year and thereafter.

**SS Chapter 5, Article 3, Section 22
Payment in Lieu of Personal
Property Tax; Wind Generation
Facilities**

Adds M.S. 272.028

This new section allows a developer of a new or existing medium or large-scale wind energy conversion system to negotiate with the city or town and the county where the system is located to establish a payment in lieu of property taxes on the property.

The payment is to provide fees or compensation to the host jurisdictions to maintain public infrastructure and services and is based upon production capacity, historical production or other agreed upon factors. The payment in lieu agreement must be signed by the parties and filed with the commissioner of DOR and the county recorder.

Upon execution and filing of the agreement, the personal property of the system is exempt from property taxes. The exemption is effective the assessment year in which the payment is agreed to and will remain exempt for the same duration as the in lieu payments.

Effective Date: July 1, 2001

**SS Chapter 5, Article 3, Section 67
Designated Housing Corporations;
Exemption**

Amends M.S. 469.040, subdivision 5

Grants a property tax exemption to housing owned by all federally recognized tribal housing entities that is located on fee land. This is the same property tax treatment currently given to low- and moderate-income housing owned by statutorily defined HRA's.

The 2000 omnibus tax law granted this property tax exemption to housing owned by the White Earth Indian tribe. This provision extends that exemption to housing owned in fee by all other federally recognized tribes.

Low- and moderate-income housing owned by HRA's is not subject to property tax. Instead, the HRA pays five percent of the shelter rents for the housing as a payment in lieu of taxes, which is then divided among the taxing jurisdictions where the property is located.

Previously, with the exception of the White Earth's exemption, tribally owned housing on fee land was taxed in the same manner as privately owned housing. Housing on trust land, whether owned by the tribe or by individuals, is not subject to property taxes.

Effective Date: For taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 68
Targeted Neighborhoods; Eligibility
Requirements**

Amends M.S. 469.202, subdivision 2

Updates the references for requirements of targeted neighborhoods to the "most recent" federal census rather than the "1980" reference.

Effective Date: Availability of federal 2000 census to determine eligibility requirements.

**SS Chapter 5, Article 7, Section 13
Pollution Control Equipment;
Exemption**

Amends M.S. 272.02, subdivision 10

Specifies that the commissioner of DOR is to make a decision on the exemption of pollution control equipment and property based on information and advice supplied by the PCA.

The advice from the PCA must include statements that the property meets a standard, rule, criteria, guideline, policy or order of PCA and whether the property is installed or operated in accordance with it.

Also allows equipment or property used to control or abate land pollution to be eligible for an exemption. Previously only air and water pollution were listed in statutes.

Effective Date: For exemption applications received on or after

August 1, 2001.

**SS Chapter 5, Article 15, Section 32
Exemption; Hollman Decree**

Does not add or change existing statutes

Provides that low-rent public housing built under the Hollman decree qualifies for the property tax exemption and the requirement to make payments in lieu of property taxes, even if the properties are owned by municipalities or other entities.

Under previous state law, this exemption extended only to HRA's. Federal law requires these properties to be exempt from property taxes.

An owner of low-rent public housing that was acquired and renovated or constructed under a cooperation agreement under this section may apply for abatement of real or personal property taxes within the time limitation for filing under M.S. 375.192, which restricts such applications to taxes payable in the current year and in the prior two years with some qualifications.

Effective Date: For any cooperation agreement entered into on or after November 1, 1997, for the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

B. PROPERTY CLASSIFICATION**CLASS 1: RESIDENTIAL
PROPERTY****SS Chapter 5, Article 3, Section 32
Class 1**

Amends M.S. 273.13, subdivision 22

(See table on page 14 for a complete listing of classes and rates.)

This section changes the class rates and tiers on class 1a property that is residential and used for homestead purposes. Increases the values of the first tier from \$76,000 to \$500,000 and lowers the class rate on the second tier (over \$500,000) to 1.25 percent from 1.65 percent.

Changes the tiers on class 1c property, also known as the "ma and pa resort" class, to match those of class 1a. The rates for values in either tier is 1.0 percent

These changes result in all class 1 property now having the same rates for values up to \$500,000 with the exception of class 1b property (blind, veteran, disabled), which keeps its rate of .45 percent for the first \$32,000 of value.

Effective Date: Taxes payable in 2002 and thereafter.

**CLASS 2: AGRICULTURAL AND
TIMBERLAND PROPERTY****SS Chapter 5, Article 3, Section 33
Class 2**

Amends M.S. 273.13, subdivision 23

(See table on page 14 for a complete listing of classes and rates.)

This section changes the class rates and tiers on class 2a property that is agricultural and homestead. Increases the first tier for land beyond the HGA from \$115,000 to \$600,000. The class rate on the first tier is changed to 0.55 percent. The remaining land in excess of \$600,000 value has a lowered class rate of 1.00 percent.

Class 2b, timberland and agricultural nonhomestead property, has a class rate of 1.00 percent, which is reduced from 1.20 percent.

This section also expands the definition of "agricultural products" to include maple syrup as long as it is taken from trees grown by someone who is licensed by the Department of Agriculture as a food processor. Such a license requires an expensive investment of specialized equipment.

Effective Date: Taxes payable in 2002 and thereafter.

**CLASS 3: COMMERCIAL-
INDUSTRIAL PROPERTY AND
PUBLIC UTILITIES**

**SS Chapter 5, Article 3, Section 34
Class 3**

Amends M.S. 273.13, subdivision 24

(See table on page 14 for a complete listing of classes and rates.)

This section lowers the tax rate on class 3a commercial, industrial and utility property from 2.40 percent to 1.50 percent on the first tier, which remains at \$150,000. It also lowers the class rate on value beyond \$150,000 from 3.40 percent to 2.00 percent.

It adds railroad operating property to the paragraph describing property that is part of an electric generation, transmission or distribution system, or part of a transportation system for water, gas, oil, etc. The class rate for this type of property mirrors that for the commercial, industrial and public utility property.

Eliminates the transit zone subclass.

Effective Date: Taxes payable 2002 and thereafter.

**SS Chapter 5, Article 3, Section 11
Property Tax Reduction; Utilities**

Adds M.S. 216B.1646

This section requires the PUC to reduce utility rates in order to pass the savings from tax reductions on

personal property to customers.

Also requires utilities to submit a report to the PUC and DOR detailing the tax savings. DOR will notify PUC within 30 days as to the accuracy of the property tax data reported by the utilities.

Effective Date: July 1, 2001

**CLASS 4: RENTAL AND
SEASONAL PROPERTY**

**SS Chapter 5, Article 3, Section 35
Class 4**

Amends M.S. 273.13, subdivision 25

(See table on page 14 for a complete listing of classes and rates.)

This section changes the class rates on housing and eliminates a subclass. Class 4a property, including apartments of four units or more, will have the following rates:

- 1.80 percent in 2002
- 1.50 percent in 2003
- 1.25 percent in 2004

The only exception is that apartments that had construction starting after June 30, 2001 will have the 1.25 percent rate beginning in 2003.

Class 4b property (apartments and manufactured homes) has a new class rate of 1.50 percent for 2002 and 1.25 percent for 2003 and years after.

Class 4bb (single unit nonhomestead residences) will have the same class rates as 1a property so the first \$500,000 of value will have a rate of 1.00 percent and value in excess of \$500,000 will have a rate of 1.25 percent.

Most class 4c property has a new lowered rate of 1.50 percent, down from 1.65 percent, with the following exceptions:

- Noncommercial seasonal recreational residential property now has the same class rate as class 4bb property (which is also the same as class 1a): 1.00 percent on the first \$500,000 of market value and a rate of 1.25 percent on any excess value.
- Manufactured home parks have the same rate as class 4b property: 1.50 percent for 2002 and 1.25 percent for 2003 and years after.
- Commercial seasonal recreational residential property has a class rate of 1.0 percent on the first \$500,000 of value and 1.25 percent on any excess.
- Post-secondary student housing has a new class rate of 1.0 percent.
- Public golf courses and indoor recreational property both have a class rate of 1.25 percent.

The section also adjusts the class rate for class 4d property, which is known as low-income apartments. In taxes payable 2002, the rate is lowered to 0.9 percent but then raised to 1.0 percent in 2003 and to 1.25 percent for 2004. It had been 1.0 percent. Class 4d will expire in payable 2004.

In addition, the "small city" apartment subclass is stricken.

Effective Date: Taxes payable 2002 and thereafter.

SS Chapter 5, Article 3, Section 94 Class 4d

Does not add or change existing statutes

States that any property qualifying for class 4d (low-income housing) in payable 2002 is automatically qualified for payable 2003 and does not need to file an application. Income and rent restrictions remain in effect.

Note: Class 4d will expire in payable 2004.

Effective Date: July 1, 2001

CLASS 5: MISCELLANEOUS PROPERTY

SS Chapter 5, Article 3, Section 36 Class 5

Amends M.S. 273.13, subdivision 31

(See table on page 14 for a complete listing of classes and rates.)

Lowers the class rate on class 5 property to 2.0 percent from 3.4 percent.

Effective Date: Taxes payable 2002 and thereafter.

Property Tax Class	Pay 2001 Rate	Pay 2002 Rate	Eligible for market value credits?	Subject to education referendum levies?	Subject to state general tax?
Residential Homestead (1a & 1d)					
Up to \$76,000	1.00%	1.00%	Yes	Yes	No
\$76,001 - \$500,000	1.65	1.00			
Over \$500,000	1.65	1.25			
Disabled homestead up to \$32,000 (1b)	0.45	0.45			
Residential Non-Homestead					
Single unit (4bb):			No	Yes	No
Up to \$76,000	1.20	1.00			
\$76,001 - \$500,000	1.65	1.00			
Over \$500,000	1.65	1.25			
2-3 units and undeveloped land (4b)	1.65	1.50			
Apartments					
Regular 4+ units (4a)	2.40	1.80	No	Yes	No
Low-income 4+ units (4d)	1.00	0.90			
Small city 4+ units (4a)	2.15	NA ¹	NA ¹	NA ¹	NA ¹
Commercial-Industrial-Public Utility (3a)					
Up to \$150,000	2.40	1.50	No	Yes	Yes ²
Over \$150,000	3.40	2.00			No
Electric generation machinery	3.40	2.00			Yes
Other public utility machinery	3.40	2.00			
Commercial SRR - Homestead Resorts (1c)	1.00	1.00	Yes	Yes	No
Commercial SRR - Seasonal Resorts (4c(1))					
Up to \$500,000	1.65	1.00	No	Yes	Yes
Over \$500,000	1.65	1.25			
Post Secondary Student Housing (4c(4))	1.20	1.00	No	No	No
Non-Commercial SRR (4c(1))					
Up to \$76,000	1.20	1.00	No	No	Yes ³
\$76,001 - \$500,000	1.65	1.00			
Over \$500,000	1.65	1.25			
Agricultural Homestead (2a)					
House, Garage and One Acre			Yes	Yes	No
Up to \$76,000	1.00	1.00			
\$76,001 - \$500,000	1.65	1.00			
Over \$500,000	1.65	1.25			
Land and Buildings			Yes	No	No
Up to \$115,000	0.35	0.55			
\$115,001 - \$600,000	0.80	0.55			
Over \$600,000	1.20	1.00			
Ag Non-Homestead and Timberland (2b)	1.20	1.00	No		
Miscellaneous Property (5)	3.40	2.00		Yes	Only iron ore

¹ The "small city" apartment subclass is eliminated for taxes payable 2002.

² Property at the Minneapolis-St. Paul International Airport and the St. Paul Airport is excluded.

³ For the first \$76,000 of value, the state tax is calculated on 40% of the tax capacity. For value exceeding \$76,000 the state tax is calculated on 100% of the tax capacity.

C. PROPERTY TAX LEVIES

OVERALL LEVY LIMITATIONS

SS Chapter 5, Article 16, Section 1 County Auditor; Fixed Levy

Amends M.S. 275.16

Prohibits the county auditor from extending taxes greater than the amount permitted under the overall levy limitation that applies to counties and to cities over 2,500 in population.

Effective Date: None listed so July 1, 2001.

SS Chapter 5, Article 16, Section 2 Levy Limits; Definitions

Amends M.S. 275.70 by adding subdivision 1

This is just a technical modification that adds a subdivision to clarify that the definitions provided in this section apply to M.S. 275.70 to 275.74, unless provided otherwise.

Effective Date: None listed so July 1, 2001.

SS Chapter 5, Article 16, Section 3 Levy Limits; Definitions Implicit Price Deflator

Amends M.S. 275.70 by adding subdivision 2

For purposes of laws regarding levy

limits, defines "implicit price deflator" as the implicit deflator for state and local government consumption expenditures and gross investment as prepared by the U.S. Department of Commerce for the 12-month period ending March 31 of the levy year.

Effective Date: None listed so July 1, 2001.

SS Chapter 5, Article 16, Section 4 Levy Limits; Definitions Local Government Unit

Amends M.S. 275.70 by adding subdivision 3

For purposes of laws regarding levy limits, defines "local governmental unit" to mean a county or a statutory home rule charter city with a population greater than 2,500.

Effective Date: None listed so July 1, 2001.

SS Chapter 5, Article 16, Section 5 Levy Limits; Definitions Population; Number of Households

Amends M.S. 275.70 by adding subdivision 4

For purposes of laws regarding levy limits, defines "population" or "number of households" to mean the numbers determined in the most recent federal census or estimate

prepared by the Metropolitan Council or state demographer, whichever is most recent as of June 1 of the current levy year.

Effective Date: None listed so July 1, 2001.

SS Chapter 5, Article 16, Section 7 Levy Limits

Adds M.S. 275.71

Imposes levy limits on counties and cities with a population greater than 2,500.

States that these levy limits supersede any other law or charter provision that authorizes imposition of higher property tax levies.

The levy limit base for payable 2001 is the greater of:

- the county's or city's adjusted levy limit base for payable 2000, plus the amount levied for payable 2000 for the repealed special levies, increased for (1) household growth, (2) inflation growth, and (3) one-half of the tax base growth due to new non-public utility commercial-industrial construction for one year; or
- its levy for payable 2001 plus its payable 2001 aids minus the portion of the payable 2001 levy that was levied for purposes allowed under special levies.

The payable 2002 adjusted levy limit base is arrived at by various adjustments to the effective payable

2001 levy limit base:

- Adjustments for state takeovers of various functions. For a county where the state has not yet assumed judicial court funding, the levy limit base is reduced by the county's 2001 certified budget amount for those court costs. The county may continue to levy for these costs under a special levy outside of levy limits until the actual takeover occurs.
- For metropolitan area cities that previously levied for local transit costs, their levy limit base is reduced by the sum of their payable 2001 non-debt opt-out transit levy plus non-debt opt-out transit HACA.
- For counties in which the state assumed certain mandated court services July 1, 2001, a reduction equal to one-half of their offsetting HACA loss in calendar year 2002.

After the above adjustments and each year thereafter, the levy limit base is adjusted annually for the increase in number of households and inflation and for one-half of any tax base growth due to new non-public utility commercial-industrial construction.

For a county, this amount is reduced for payable 2002 and 2003 to reflect any reduction in a county's levy due to a water management board becoming a special taxing district. The levy limit is calculated by subtracting the certified amounts of

property tax aids for the next taxes payable year from the adjusted levy limit base. This includes LGA, county criminal justice aid, family preservation aid, county HACA, taconite aids, existing low-income housing aid and new construction low-income housing aid. The subtraction excludes the extra LGA paid to the cities of Newport, Osseo, and Hopkins beginning in 2002.

The new out-of-home placement aid and transit property tax replacement aid are also subtracted from the base.

Exempts the local government from any charter levy limits that are less than the amount allowed under this subdivision or any referendum requirements related to levy increases due to lost aid.

Effective Date: None listed so July 1, 2001.

GENERAL PROVISIONS

SS Chapter 5, Article 3, Section 53 Voter Approved Levy; Market Value

Amends M.S. 275.61 by adding subdivision 2

New subdivision 2 authorizes counties, cities and towns (but not school districts) to convert referendum levies approved prior to January 1, 2001, from a referendum market value basis to a NTC basis. The conversion is allowed only if the proportion of the referendum market

value that is exempt (farms and cabins) is at least ten percent for taxes payable in 2001 and the county auditor is notified of the conversion prior to October 1, 2001.

The decision to convert to NTC is permanent and will affect all future years. The option to convert expires October 1, 2001.

Effective Date: Taxes payable in 2002 and thereafter.

COUNTY LEVIES

SS Chapter 5, Article 3, Section 3 County Levy Authority

Adds M.S. 103B.253

This section provides that when a county levies for local water management, planning and regulatory responsibilities, these levies will be a special taxing district for property tax purposes.

So on both the TNT notice and the property tax statement, these levies will be listed as a special taxing district and will not be included in the county government's levy.

Previously, if a watershed district were responsible for promulgating a plan and implementing it, its levy would appear on a special taxing district line of the TNT notice and property tax statement.

However, when a county levies for those same purposes, it is included with the rest of the county levy. This

change results in uniformity so that the levies for all counties are consistent. (See also Special Session Chapter 5, Article 3, Section 51 on page 20.)

Effective Date: Taxes payable in 2002 and thereafter.

SCHOOL DISTRICT LEVIES

SS Chapter 5, Article 3, Section 7 School District; Swimming Pool Levy

Adds M.S. 126C.455

Authorizes school districts in Kittson, Roseau, Lake of the Woods, and Koochiching counties to levy for the operation and maintenance of a swimming pool.

Effective Date: Taxes payable in 2002 and thereafter.

SS Chapter 5, Article 3, Section 87 Nashwauk-Keewatin School District; Additional Levy

Does not add or change existing statutes

Permits independent school district No. 319, Nashwauk-Keewatin, to levy up to \$25,000 to finance the Nashwauk School-Community Library and Community Service Project.

Effective Date: July 1, 2001

SPECIAL TAXING DISTRICT

LEVIES

SS Chapter 5, Article 3, Section 4 Watershed District General Fund

Amends M.S. 103D.905,
subdivision 3

Doubles the levy limit for watershed district general funds. Previously, the levy could not have exceeded 0.02418 percent of taxable market value, or \$125,000, whichever was less. This section increases those limits to .048 percent of taxable market value or \$250,000, whichever is less.

Also changes the name of the fund from the "administrative fund" to the "general fund," since it is used for both administration as well as for general purposes.

Lastly, it allows managers to levy a tax to pay for basic water management features of projects if a political subdivision is within the watershed district or at least 50 resident owners petition the managers to do so.

Previously only a municipality could initiate a petition. The requirement was set at 50 resident landowners since that is the number needed to establish a watershed under M.S. 103D.205, subdivision 3, clause (4).

Effective Date: Taxes payable in 2002 and thereafter.

SS Chapter 5, Article 3, Section 8 Emergency Medical Services;

Special Taxing Districts

Adds M.S. 144F.01

This new section authorizes political subdivisions to create an emergency medical services special taxing district.

Defines "political subdivision" to mean a county, city or town for this section. At least two political subdivisions are needed to establish a special taxing district for emergency medical services. The political subdivisions do not need to be contiguous.

States that such a special taxing district is governed by a board that initially consists of representatives of the participating subdivisions, as specified in the resolution that establishes the district.

Allows the district to change representation in either its charter or bylaws. Also requires the district to have an advisory committee made up of emergency medical service providers.

Allows the emergency services district to levy the lessor of .048 percent of taxable market value in the district or \$250,000. Taxes must be used to support the providing of out-of-hospital emergency medical services, such as ambulances and rescue squads.

Such districts are also authorized to use any power that may be exercised by any of its participation political subdivision to reasonably support emergency medical services, except that the board may

not incur debt.

There is also language specifying the process of other political subdivisions to join and withdraw from the board. If such a board is dissolved, any assets or liabilities can be assigned to a successor entity, if any, or otherwise disposed of for public purposes.

Requires that such a district must issue a levy and expenditure report to DOR and the chairs of the House and Senate Tax Committees on or before March 15, 2005 and March 15, 2007.

Effective Date: Taxes payable in 2003 through taxes payable in 2008.

**SS Chapter 5, Article 3, Section 50
Special Taxing Districts;
Definition**

Amends M.S. 275.066

Adds two definitions to the list of "special taxing districts": emergency medical services special taxing districts and counties levying for water management purposes.

Effective Dates: The emergency medical services special taxing districts is effective for taxes payable 2003 through 2008. The new county special taxing districts is effective for taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 51
Certification of Water**

Management Levy

Amends M.S. 275.07, subdivision 1

Adds a paragraph to this subdivision to require that metro counties that levy for water management purposes must certify those taxes separately to the county auditor on or before five working days after December 20 each year. Any county failing to certify its levy by that date will instead have its levy equal to the previous year's levy amount.

The amount that is to be levied for water management purposes is considered a special taxing district levy and will be shown separately on the TNT notice and the property tax statement (see Special Session Chapter 5, Article 3, Sections 3 and 47 on pages 17 and 45, respectively).

The effect of this new paragraph is that metro county levies for water management organizations are now special taxing districts.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 70
Opt-Out Cities; Financial Assistance**

Amends M.S. 473.388, subdivision 4

Requires that the Metropolitan Council must annually provide each opt-out city with financial assistance at least equal to the assistance received in 2001 or the transit tax levied within the city for taxes payable in 2001, increased

proportionately by the growth in the metropolitan area transit fund and by the relative growth in the city's market value base relative to the growth in market value tax base of the metropolitan area as a whole.

It had been previously an option for the Metropolitan Council to provide such assistance but this section makes it mandatory.

Effective Date: Calendar year 2002 and thereafter.

**SS Chapter 5, Article 3, Section 71
Transit Levies; Opt-Out Cities**

Amends M.S. 473.388, subdivision 7

Eliminates the authority of opt-out cities to levy property taxes for transit services, except to pay debt service for transit capital expenditures that are not sufficiently funded by the state legislature.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 72
Transit Levies; Metropolitan Council**

Amends M.S. 473.446, subdivision 1

Eliminates the authority of the Metropolitan Council to levy property taxes to pay for operating costs of transit systems.

Expands the geographic area subject to metropolitan transit levies

to the entire metropolitan area, and provides for existing as well as new capital levies to be spread against the expanded area.

Allows the council to issue certificates of indebtedness if revenues to the metropolitan area transit fund do not grow by at least the same percentage as the consumer price index.

Also eliminates the "feathering" program, a state-paid tax relief program that lowered the transit tax in those parts of the transit district receiving a lower level of transit services.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 84
Minnehaha Creek Watershed
District**

Does not add or change existing statutes

Allows the Minnehaha Creek Watershed District to levy an additional \$50,000 for enforcing rules and permits without local approval.

Effective Date: Taxes payable in 2002.

**SS Chapter 5, Article 3, Section 86
Red River Watershed Management
Board**

Does not add or change existing statutes
Allows the Red River Watershed Management Board to compensate

counties and townships for lost property tax revenue on land that becomes tax exempt after the board acquired it for a flood damage reduction project.

The compensation cannot exceed the tax payable to the county or township on the land in the last taxes payable year before the land was exempted. It cannot also exceed 20 times \$4 an acre. (The "20" in effect allows the payment to reimburse the local government for up to 20 years of lost taxes.)

Effective Date: July 1, 2001

**SS Chapter 5, Article 3, Section 95
Appropriation; Metropolitan
Council**

Does not add or change existing statutes

Appropriates \$5 million from the general fund in fiscal year to the Metropolitan Council for transportation revenue associated with the conversion of metropolitan area transit funding for calendar year 2002.

Effective Date: The day following final enactment (July 1, 2001).

SPECIAL LEVIES

**SS Chapter 5, Article 16, Section 6
Special Levies**

Amends M.S. 275.70, subdivision 5

Eliminates the following from the definition of special levies:

- levies for unreimbursed expenses due to the 1997 floods;
- levies for abatements due to floods in 1997 or tornadoes in 1998; and
- levies for the increased pension costs for correctional service employees.

Local governments will still be able to special levy outside of levy limits for debt, market value referenda levies, natural disasters, certification errors, economic development tax abatements, mandated jail operating expenses, increases in matching fund requirements for state or federal grants over the payable 2001 level, operation of a lake improvement district, and to repay loans related to certain transportation projects.

In addition, the following special levies have been added:

- for increases in employer contributions to PERA due to rate increases for coordinated and basic members that are effective after January 1, 2001;
- for counties only: \$1 per capita for redistricting costs with a portion of the levy (25 cents per capita) going to cities of 30,000 or more in population for their costs; and
- for court administration costs associated with the phased-in state takeover of the remaining judicial districts.

Effective Date: None listed so July 1, 2001.

D. TAX INCREMENT FINANCING AND FISCAL DISPARITIES**TAX INCREMENT FINANCING:
GENERAL PROVISIONS**

Effective Date: For plans and amendments approved after July 1, 2000.

**SS Chapter 5, Article 15, Section 7
Tax Increment Financing Plan**

Amends M.S. 469.175, subdivision 1

Eliminates the authority to waive increments for redevelopment, housing, and hazardous substance subdistricts.

Effective Date: For requests for certification of TIF districts received after July 31, 2001.

**SS Chapter 5, Article 15, Section 8
Tax Increment Financing Filing Plan**

Amends M.S. 469.175 by adding subdivision 4a

Reinstates the requirement that copies of the TIF plan and amendments to the plan be filed with the commissioner of DOR. The commissioner is to provide a copy to the state auditor on the request of the auditor.

Filing must be done within 60 days of the latest of the:

- request for certification of the district,
- approval of amendments to the plan by the municipality, or
- adoption of amendments to the plan by the development authority.

**SS Chapter 5, Article 15, Section 10
Tax Increment Financing; Duration
Limits; Terms**

Amends M.S. 469.176, subdivision 1b

This section makes two changes in the basic duration limit statute. It eliminates the shorter duration limits for redevelopment and housing subdistricts.

It provides that receipt by a hazardous substance subdistrict of an increment (i.e., an increment as a result of the write-down of original tax capacity) does not start the duration limit running on the overlying TIF district itself.

The district's duration limit will only begin to run when the tax capacity of the district increases over the original tax capacity for the district (rather than the subdistrict).

Effective Date: For districts for which the request for certification is made after July 31, 2001.

**SS Chapter 5, Article 15, Section 11
Duration Limits; Hazardous
Substance Subdistricts**

Amends M.S. 469.176, subdivision 1e

Repeals the shorter duration limit for hazardous substance subdistricts that waive increments.

Effective Date: For requests for certification of subdistricts made after July 31, 2001.

**SS Chapter 5, Article 15, Section 12
Tax Increment Financing; Approval
For Early Decertification**

Amends M.S. 469.176, by adding subdivision 1h

Requires the commissioner of DOR to approve early decertification of a TIF district, if two conditions are met:

1. The district is a pre-existing district (i.e., one where the request for certification was made before August 1, 2001).
2. There are outstanding pre-existing obligations (bonds or binding contracts) secured by other districts in the municipality.

Approval is granted only if the commissioner determines early decertification is unlikely to increase entitlements to a grant under Special Session Chapter 5, Article 15, Section 24 (see page 27).

Effective Date: None listed so July 1, 2001.

**SS Chapter 5, Article 15, Section 13
Tax Increment Financing;
Administrative Expenses; Limitation**

Amends M.S. 469.176, subdivision 3

Modifies the limitation on administrative expenses to provide that the limit will be calculated relative to increments from the district, rather than

the expenditures for the project. This change is for districts for which certification was requested before August 1, 1979, or after June 30, 1982, and before August 1, 2001.

Also adds a limitation on administrative expenses for districts for which certification was requested after July 31, 2001. Under new paragraph (c), no tax increment may be used to pay expenses for a project which exceed ten percent of total tax increment expenditures authorized by the TIF plan or the total tax increment from the district, whichever is less.

Effective Date: The day following final enactment (July 1, 2001) and applies to all districts regardless of when the request for certification was made.

**SS Chapter 5, Article 15, Section 14
Tax Increment Financing; General
Government Use Prohibited**

Amends M.S. 469.176, subdivision 4g

Moves the restrictions on the uses of tax increments for social and recreational facilities to a separate subdivision and eliminates the need for the municipality to approve operating and management policies for social and recreational facilities financed with increments.

Effective Date: For expenditures of increment made after July 31, 2001.

**SS Chapter 5, Article 15, Section 15
Tax Increment Financing; Prohibited
Facilities**

Amends M.S. 469.176 by adding subdivision 41

This new subdivision prohibits the use of tax increments for a commons area used as a public park or for social, recreational, and conference facilities. Does not apply to privately owned facilities for conference purposes or parking structures.

Effective Date: All TIF districts, regardless of when the request for certification was made, and is effective for expenditures of increment made after June 30, 2001 but does not apply to any of the following:

- Expenditures made before January 1, 2000.
- Expenditures made under a binding contract entered before January 1, 2000.
- Expenditures made under a binding contract entered pursuant to a letter of intent with the developer or contractor before January 1, 2000.

Essentially it grandfathers a provision contained in the 1999 legislation and permits assigned binding contracts and letters of intent to qualify under the grandfather provision.

**SS Chapter 5, Article 15, Section 16
Tax Increment Financing; Pooling
Permitted For Deficits**

Amends M.S. 469.1763, subdivision 6

Redefines when pooling is permitted for deficits in increment revenues. The permitted uses are expanded to include binding contracts entered into before August 1, 2001 (e.g., "pay as you go" agreements). This change makes the pooling authority consistent with the grant program.

The new allowance is for districts for which the request for certification was made before August 1, 2001, and covers reductions in increments as a result of the class rate changes and the elimination of the general education tax levy during the 2001 legislative session. This change allows the pooling to be used to cover deficits created by the property tax reform changes.

When two authorities (e.g., an HRA and an EDA) are located in the same city, a limit is imposed on the ability to pool across the two authorities. Before using increment from one authority's districts to cover deficits in the other authority's district, the own authority's increments must be exhausted first.

In addition, authority is granted to allow pooling to cover "pay-as-you-go" agreements where the amount available is less than projected, although the authority's obligation is limited to paying an amount of actual increment. Also, all other pre-existing obligations must be satisfied before this transfer is allowed.

Effective Date: January 2, 2002 and thereafter.

**SS Chapter 5, Article 15, Section 17
Tax Increment Financing; Original
Net Tax Capacity**

Amends M.S. 469.177, subdivision 1

Allows the development authority to exclude improvements the authority makes to exempt property from original NTC when the exempt property becomes taxable.

Effective Date: For parcels that become taxable after July 31, 2001, and applies to TIF districts, regardless of when the certification request was made.

**SS Chapter 5, Article 15, Section 18
State Tax and Increment
Computation**

Amends M.S. 469.177 by adding subdivision 1b

States that the original local tax rate used to calculate the amount of increment doesn't include any rate related to a state levy. A state property tax does not generate tax increment.

Effective Date: The day following final enactment (July 1, 2001) for all TIF districts and all geographic expansions of all TIF districts, regardless of the date of the request for certification.

**SS Chapter 5, Article 15, Section 19
Tax Increment Financing; Deduction
for Enforcement Costs**

Amends M.S. 469.177, subdivision 11

Directs the commissioner of DOR to

adjust percentage of tax increments dedicated to the office of the state auditor for enforcement to maintain the current level of funding after elimination of the general education tax levy and class rate compression.

Effective Date: Taxes payable in 2002.

**SS Chapter 5, Article 15, Section 20
Tax Increment Financing;
Enforcement**

Amends M.S. 469.1771, subdivision 1

Extends the scope of the section relating to enforcement (both private actions and state auditor's powers) over TIF to include the special taxing district authority to eliminate deficits and the new provisions granting special authority to reduce deficits and continuing developer's obligation after the repeal of the state aid offset.

Effective Date: For violations occurring after July 1, 2001.

**SS Chapter 5, Article 15, Section 21
Tax Increment Financing; Interfund
Loans**

Amends M.S. 469.178 by adding subdivision 7

Authorizes the authority or municipality to pay project costs with interfund loans and receive reimbursement, with interest, from increments.

In order to do so, the authority or municipality must adopt a resolution authorizing the loan and setting its terms, in writing. These terms must

include, at least, the principal, interest, maturity, and a repayment schedule.

The interest that may be charged is limited to the higher of the judgment interest rate or the rate on unpaid state taxes. Pre-existing interfund loans are ratified, if the interest rates comply with the maximum rate limits.

An authority may modify an existing loan to comply with the requirements of this section.

Effective Date: For loans and advances made after July 31, 2001, and to districts with requests for certification made after July 31, 1979.

SS Chapter 5, Article 15, Section 22 Tax Increment Financing; Special Deficit Authority

Adds M.S. 469.1792

Allows an authority with a preexisting TIF district (request for certification before August 1, 2001) to take the following actions to reduce increment shortfalls resulting from class rate compression or the general education takeover:

- Uncapping the original tax rate (i.e., allowing increment to be calculated using the current tax rate, rather than the rate that was certified in the year the district was created).
- Changing the fiscal disparities option to Option A so that the contribution is spread to the taxing districts, rather than reducing the district's increments.

These actions can only be used to pay binding obligations (bonds or contracts) entered into before August 1, 2001. Pooling authority must be used first to make up these shortfalls.

Exercise of the authority under this section is a condition for qualifying for a grant. The authority can be used to help make a developer whole under a pay as you go obligation, even if the authority does not have an explicit legal obligation to do so.

Effective Date: All districts for which the request for certification was made after July 31, 1979.

SS Chapter 5, Article 15, Section 23 Tax Increment Financing; Developer Obligations

Adds M.S. 469.1793

Continues developer obligations to reimburse the municipality for its state aid offset, even though the offset has been repealed. Payments received are considered increment for purposes of the grant program.

Effective Date: The day following final enactment (July 1, 2001) for all districts for which certification was requested after April 30, 1990.

SS Chapter 5, Article 15, Section 24 Tax Increment Financing; Grants

Adds M.S. 469.1799

Provides for grant payments from DOR to municipalities in calendar year 2003 and thereafter for deficits in TIF

districts caused by the changes in class rates and the elimination of the state-determined general education levy. Municipalities must apply for the grants no later than August 1 for grants payable during the calendar year.

The grants are allowed only for TIF districts that have:

- 1) Requested certification of the district before August 1, 2001, or the district was transferred under special law prior to August 1, 2001.
- 2) Filed all required reports with the state auditor in a timely manner.
- 3) Exercised any permitted actions under statutes to increase increments to pay pre-existing obligations.

The amount of the grant is equal to the lesser of:

- 1) the reduction in the district's revenues from the class rate changes and the elimination of the general education levy, or
- 2) the amount needed by the district to pay off bonds issued before August 1, 2001, and binding contracts entered into before July 1, 2001, less the municipality's total tax increments including unspent increments from previous years and any local contribution or state aid offset that would have applied before the repeal of those requirements. (The commissioner of DOR will calculate this amount based on the reports filed with the state auditor on or before August 1 of the year in which the grant is to be paid for the districts.)

Allows school districts that granted abatements of the general education levy, pledged to the payment of bonds or binding contracts, to make a levy to make up the loss as a result of the repeal of the general education levy, but not to exceed the amount of the obligation.

Appropriates \$91 million in FY 2002, and provides a standing appropriation of \$38 million for the fiscal years after that. The appropriations are available until spent. If the grant entitlements for a year exceed the amount available, all grants are proportionately reduced.

Effective Date: The day following final enactment (July 1, 2001).

SS Chapter 5, Article 15, Section 29 Tax Increment Financing; Grant Program Extension

Amends Laws 1997, Chapter 231, Article 1, Section 19, as amended by Laws 1999, Chapter 243, Article 10, Section 17

Extends the TIF grant program for deficits caused by the 1997-99 property tax compression for one additional year to January 1, 2003.

Effective Date: None listed so July 1, 2001.

SS Chapter 5, Article 15, Section 30 Tax Increment Financing; Grant Program Effective Dates

Amends Laws 1997, Chapter 231, Article 1, Section 22

Makes a conforming change to the effective date for the 1997-99 TIF grant program, extending it through taxes payable in 2001.

Effective Date: None listed so July 1, 2001.

**SS Chapter 5, Article 15, Section 31
Tax Increment Financing Project;
Effective Date**

Amends Laws 2000, Chapter 490,
Article 11, Section 26

Extends the 2000 legislation permitting spending of a share of increments on low-income housing activities outside of the project areas to all post June 30, 1982 districts. Previously it had been for only post May 1, 1990 districts.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 15, Section 41
Repealer**

Repeals M.S. 273.1399 and 469.1782, subdivision 1

Repeals both of the state aid offsets for new districts and for extensions of district duration limits. With the state takeover of the education levy, the state aid impact of TIF is minimal.

Effective Date: January 1, 2002

**TAX INCREMENT FINANCING:
TYPES OF DISTRICTS**

**SS Chapter 5, Article 15, Section 4
Redevelopment District**

Amends M.S. 469.174, subdivision 10

Substitutes the term "similar structures" for "improvements" and adds "paved or gravel parking lots" in the blight test for redevelopment TIF districts. This clarifies that gardens, lawns, landscaping, farm fields, and similar items do not meet the occupancy test.

Effective Date: For districts for which the request for certification is made after July 31, 2001.

**SS Chapter 5, Article 15, Section 5
Renewal and Renovation District**

Amends M.S. 469.174, subdivision 10a

Substitutes the term "similar structures" for "improvements" and adds "paved or gravel parking lots" in the blight test for renewal and renovation TIF districts. This clarifies that gardens, lawns, landscaping, farm fields, and similar items do not meet the occupancy test.

Also further clarifies the definition of a "structurally substandard" building.

Effective Date: For districts for which the request for certification is made after June 30, 1997 except that the provision requiring parcels to be occupied by structures is effective for districts for which the request for certification is made after July 31, 2001.

**SS Chapter 5, Article 15, Section 6
Economic Development District**

Amends M.S. 469.174, subdivision 12

Eliminates the prohibition on creating an economic development district if it could qualify as another type of district.

Effective Date: Districts for which the request for certification is made after July 31, 2001.

**TAX INCREMENT FINANCING:
SPECIFIC DISTRICTS****SS Chapter 5, Article 15, Section 33
City of Luverne**

Does not add or change existing statutes

Allows the city of Luverne to designate up to three areas of the city as border city development zones. Each area or zone is limited to no more than 100 acres. The general law rules for border city development zones apply to these zones.

This section allocates \$175,000 to the city to be used in providing tax reductions for the zones. This limit or cap on the zone tax reductions does not apply if the commissioner of DOR waives the limit.

Effective Date: When the governing body of the city of Luverne approves such a resolution and its chief clerical officer files the appropriate certificate with the secretary of state.

**SS Chapter 5, Article 15, Section 34
City of Aurora**

Does not add or change existing statutes

Allows the city of Aurora to extend the duration of a pre-1979 TIF district through December 31, 2009, which allows the city six additional years of increment.

This allows the district's increments to be spent on public redevelopment costs anywhere within the project area.

General law prohibits use of increments from pre-1979 districts after April 1, 2001, except to pay for bonds issued before April 1, 1990 (or bonds issued to refund them).

Effective Date: The day after the governing bodies of the affected local government entities approve such a resolution and the chief clerical officer of the city of Aurora files the appropriate certificate and copies of the resolutions with the secretary of state.

**SS Chapter 5, Article 15, Section 35
City of Gaylord**

Does not add or change existing statutes

Authorizes the city of Gaylord to extend the duration of a pre-1979 TIF district. The extension may not extend beyond December 31, 2008. The 1997 Legislature authorized an extension of the duration of this district, but the city, county, and school district apparently failed to act.

The authority to approve special legislation expires on the first day of the next biennial legislative session. Thus, the authority to approve this legislation expired in January 1999.

Since this is a pre-1979 district without pre-1990 bonds outstanding, this district was effectively decertified in 2000 and, thus, will generate no increment in 2001. As a result, this section revives the district in 2002.

In addition, the section provides authority to spend increments during the extension period.

Effective Date: After the governing bodies of the affected local government entities approve such a resolution and the chief clerical officer of the city of Gaylord files the appropriate certificate and copies of the resolutions with the secretary of state.

SS Chapter 5, Article 15, Section 36 City of North St. Paul

Does not add or change existing statutes

Directs the commissioner of DOR to pay a \$12,800 grant to the city of North St. Paul. This grant is to be charged against the appropriation to make up TIF deficits caused by the 1997, 1998, and 1999 property tax class rate compressions.

This grant is to compensate the city for a 1999 calendar year deficit determined on an accrual basis. The commissioner is to pay the grant within 60 days after enactment.

Effective Date: The day following final enactment (July 1, 2001) without local approval.

SS Chapter 5, Article 15, Section 37 City of Park Rapids

Does not add or change existing statutes

Extends the five-year rule by one year for a redevelopment district in the city of Park Rapids.

The five-year rule requires the "in-district" portion of increments to be spent (or bonds to be issued) within five years after the TIF district is certified.

The pooling rules require either 80 percent of increments (most districts) or 75 percent of increments (redevelopment districts) to be spent on activities actually located inside the TIF district. This percentage is the "in-district" percentage.

After the end of the five-year period, the in-district portion of the increment must be spent only to pay obligations incurred to finance these activities completed during the first five years. When they are paid, the district must be decertified. The pooling percentage (i.e., the rest of the increments, either 20 percent or 25 percent) can continue to be spent on new activities after the end of the five-year period.

Effective Date: Upon approval by the city of Park Rapids and its chief clerical officer files the appropriate certificate with the secretary of state.

**SS Chapter 5, Article 15, Section 38
City of Minneapolis; Lake Street
Project**

Does not add or change existing statutes

Extends the period of time for the city of Minneapolis and Hennepin County to approve a 1998 special law allowing creation of a TIF district for the old Sears site on Lake Street. The authority to approve this special law expired in 1999 but is now extended through January 2, 2003.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 15, Section 39
City of Minneapolis; Washburn
Crosby Project**

Does not add or change existing statutes

Allows the city of Minneapolis to apply for a grant from the TIF grant fund for the Washburn Crosby historic mill project.

This application will be based solely on the increments of the district and will not take into account other increments of the city. The authority will have until August 1, 2001 to enter binding contracts to issue bonds that qualify as preexisting obligations.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 15, Section 40
St. Louis Park; Grant Computation**

Does not add or change existing statutes

Allows the city of St. Louis Park to qualify for a TIF grant for special law district as if the local contribution option applied. This is a district that was subject to the state aid offset (at a reduced rate) and under the general law rules would have been subject to the higher deduction for the state aid offset from its grant.

Effective Date: The day following final enactment (July 1, 2001).

FISCAL DISPARITIES**SS Chapter 5, Article 3, Section 57
Apportionment of Levy; Taconite
Fiscal Disparities**

Amends M.S. 276A.06, subdivision 3.

This section adds a technical paragraph effective for taxes payable in 2002. It requires the county auditor to exclude the general education tax rate and portion of the referendum tax rate attributable to the first \$415 per pupil from the local school district levy for the previous year for purposes of determining school district taconite fiscal disparities distribution levies.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 3, Section 73
Apportionment of Levy;
Metropolitan Fiscal Disparities**

The new language is consistent with the way in which the law is being administered.

Amends M.S. 473F.08, subdivision 3

Effective Date: Retroactive to July 1, 1997, for taxes levied in 1997, payable in 1998 and thereafter.

This section makes technical changes that exclude the general education tax rate and the tax rate attributable to the first \$415 of referendum levy per pupil from the local school district levy for the previous year for purposes of determining metropolitan school district fiscal disparities distribution levies.

Also excludes the transit operating tax rate from the Metropolitan Council's levy for the previous year for purposes of determining the council's fiscal disparities distribution levy.

Excludes the transit tax rate from the city levy for the previous year for purposes of determining city fiscal disparities distribution levies for opt-out cities.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 15, Section 1
Taconite Fiscal Disparities**

Amends M.S. 276A.01, subdivision 3

Adds a cross-reference in the fiscal disparities law for the taconite tax relief area to make it clear that all pre-existing TIF districts are exempt from contributing to the fiscal disparities pool until they are decertified.

E. PROPERTY TAX AIDS AND CREDITS**PROPERTY TAX AIDS****SS Chapter 5, Article 3, Section 9
Operating Assistance; Transit
Systems**

Amends M.S. 174.24, subdivision 3b

Allows property tax replacement payments under Special Session Chapter 5, Article 3, Section 10 to be used as part of a transit system's "local source" contribution towards operating revenues.

Note: Other changes in this section are done for purposes of consistency with the Transportation Finance bill.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 10
Property Tax Replacement Aid**

Adds M.S. 174.242

This new section requires transit systems receiving DOT operating assistance to report the amount of their operating revenues derived from property taxes for 2001 by July 31, 2001, to DOT. Requires the commissioner of DOT to verify and, if necessary, correct the amounts reported.

All revenues provided by a local government unit, including the portion of the St. Cloud Metropolitan Area Transit Commission's HACA

attributable to transit operating expenses, will be considered property tax revenues with one exception.

Revenues received from school districts are not considered property tax revenues for the purpose of the report.

Provides that each transit system will receive property tax replacement aid payments in calendar years 2002 and 2003 equal to the amount of property tax revenues received in 2001, prorated to the amount of revenue in the greater Minnesota transit fund, but subject to a growth limit of 6 percent each year.

Requires the payment amounts to be certified to the commissioner of DOR so that the amounts may be deducted from the local government's levy limit.

The commissioner of DOT, in consultation with the commissioner of DOR, is required to make a report to the state legislature by January 1, 2003, containing recommendations for integrating the transit assistance grant program with the property tax replacement aid program under this section.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 5, Section 5
Aid Offset; Court Costs**

Amends M.S. 273.1398, subdivision 4a

This section requires the state supreme court to determine and certify to DOR each county's cost savings of the state takeover of county services.

The costs determined are the net costs after subtraction of the county's fines transferred to the state. A county's cost savings equals:

- 103 percent of required court administrative expenditures for calendar year 2003, plus
- an adjustment for salary increases greater than an increase of six percent, less
- the county's share of transferred fines collected by the district courts during the calendar year preceding certification.

Allows the court and the county to negotiate and certify an amount higher than the calculated amount.

Provides for the salary adjustment costs to be based on the difference between the cumulative percentage increase in actual and anticipated salary settlements and the county's maintenance of effort percentage for the year in which the takeover occurs.

A county's HACA and/or manufactured home HACA payment is permanently reduced by 75 percent of the certified net cost in the calendar year in which the state takeover occurs.

Provides that a county's HACA and/or manufactured home HACA payment is permanently reduced by the remaining 25 percent of the certified net cost in the second year calendar year after the state takeover occurs.

Provides that a county's HACA and/or manufactured home HACA payment is permanently reduced in 2002 by the cost of mandated court services. The state supreme court will determine the amount for each county and certify it to the commissioner of DOR by July 15, 2001.

Effective Date: The day following final enactment (July 1, 2001).

SS Chapter 5, Article 5, Section 7 Temporary Aid; Court Administration Costs

Amends M.S. 273.1398 by adding subdivision 4c

This section provides for additional HACA in calendar years 2004 and 2005 for counties in which court services have not yet been taken over by the state. The additional aid equals the difference between the county's maintenance of effort requirement and the growth in state court administration costs.

Effective Date: The day following final enactment (July 1, 2001).

SS Chapter 5, Article 5, Section 8 Aid Offset; Out-Of-Home Placement Costs

Amends M.S. 273.1398 by adding subdivision 4d

Provides a HACA reduction in calendar year 2003 to offset the state cost of reimbursing counties for a portion of their out-of-home placement costs.

The reduction is based on the average out-of-home placement costs for each county over the last three years. The offset only occurs if accurate data is available to allow calculation of the reimbursement amount.

This reduction must be made before any new reductions for the state takeover of court costs.

Effective Date: The day following final enactment (July 1, 2001) for aids payable beginning in 2003.

SS Chapter 5, Article 5, Section 11 New Aid; Out-Of-Home Placement

Adds M.S. 477A.0123

Beginning in calendar year 2003, DOR will make a new aid payment to counties to reimburse them for a percent of the nonfederal cost of out-of-home placements.

Provides that the payment to each county will be based on a percent of its average out-of-home placement costs for the last three years. The percent for reimbursement payable in calendar year 2003 is selected so that the reimbursement amount in any metropolitan area county does not exceed the difference between the 2003 HACA before any scheduled aid offsets in 2003 minus any aid offset for court cost takeover scheduled to occur after July 1, 2003.

The percent paid must be the maximum possible under this restriction up to 30 percent.

For aids payable in 2004 and

thereafter, the percent reimbursement equals the percent reimbursement for 2003, adjusted so that the total payment doesn't exceed the appropriation under M.S. 477A.03, subdivision 2, paragraph (e).

Requires counties to provide by January 2, 2002, and by January 1 of 2004 and each year thereafter, the data necessary for calculating this aid to the commissioners of DHC and DOC. If the commissioners do not certify that the data is accurate enough to calculate the aid, the aid will not be paid.

If the data is accurate enough, it must be certified by the commissioner of DHS to the commissioner of DOR by July 1 of that year prior to the year of the aid payment.

Effective Date: For aids payable in 2003, and thereafter. The reporting requirements are effective the day following final enactment (July 1, 2001).

SS Chapter 5, Article 6, Section 2 Taconite School Aids; Deductions

Amends M.S. 126C.21, subdivision 4

Due to the state takeover of the general education levy, this section adjusts for the elimination of the general education levy determination when calculating taconite deductions

Effective Date: For aids payable in the 2002-2003 school year.

**SS Chapter 5, Article 6, Section 3
Taconite School Aids; Reductions**

Amends M.S. 126C.48, subdivision 8

Due to the state takeover of the general education levy this section adjusts for the elimination of the general education levy determination when calculating taconite reductions.

Effective Date: For taxes levied in 2001, payable in 2002.

**SS Chapter 5, Article 6, Section 38
Municipal Taconite Aid**

For taxes payable in 2002 only, provides a one-time appropriation from the taconite property tax relief account to fund a transitional aid to taconite cities and towns.

Effective Date: Aids payable in 2002 only.

**SS Chapter 5, Article 6, Section 39
Appropriation; Taconite State Aid**

Does not amend statutes

Provides an appropriation equal to taconite state aid to be added to the taconite production tax distributions equal to 33 cents per taxable ton for production year 2001 and 22 cents per taxable ton for production years 2002 and thereafter. The amounts are to be distributed by the formula under current law.

Effective Date: None listed so July 1, 2001.

**SS Chapter 5, Article 3, Section 40
Homestead and Agricultural Credit
Aid for Cities, Towns and Special
Taxing Districts**

Amends M.S. 273.1398 by adding a new subdivision 2e

Eliminates HACA for cities, towns, school districts and special taxing districts. HACA will only be paid to counties.

Effective Date: Aids payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 41
Manufactured Housing Homestead
and Agricultural Credit Aid**

Amends M.S. 273.166, subdivision 2

This section eliminates manufactured home HACA for cities, towns, school districts and special taxing districts by replacing "jurisdiction" with "county." Manufactured housing HACA will only be paid to counties.

Beginning in calendar year 2002, the manufactured housing HACA will be paid by DOR to each county in an amount equal to the county's HACA from the previous year multiplied by the growth adjustment factor for the county. Counties that do not levy property taxes (rather unlikely) will not be eligible for such payments.

Effective Date: Aids paid in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 42
Homestead and Agricultural Credit
Aid; Calculation**

Amends M.S. 273.166, subdivision 3

Makes necessary changes so that manufactured housing HACA payments will be made to counties and not cities, towns, school districts or special taxing districts.

Effective Date: Aids payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 43
Manufactured Housing Homestead
and Agricultural Credit Aid;
Appropriation**

Amends M.S. 273.166, subdivision 5

This section strikes the sentence appropriating money from the general fund to CFL since school districts will no longer receive manufactured housing HACA. Makes necessary changes so that manufactured housing HACA payments will be made to counties and not cities, towns, school districts or special taxing districts.

Effective Date: Fiscal year 2003 and thereafter.

**SS Chapter 5, Article 3, Section 79
Rental Housing Tax Base
Replacement Aid**

Adds M.S. 477A.07

This new section establishes the rental housing tax base replacement aid, which provides aid to counties and

cities in 2003 and beyond based on the reduction in tax capacity resulting from rental housing class rate reductions for taxes payable in 2003 and 2004.

The aid is equal to the jurisdiction's reduction in tax capacity in excess of 0.4 percent of the jurisdiction's total NTC multiplied by the jurisdiction's local tax rate for the previous year.

Provides that a county's 2003 aid amount is permanently added to the county's HACA base amount for 2003 and subsequent years and that a county's 2004 aid amount is permanently added to the county's HACA base amount for 2004 and subsequent years.

For cities, the 2003 aid amount is permanently added to the city's grandfathered LGA base amount for 2003 and subsequent years. The aid amount for 2004 is permanently added to the city's grandfathered LGA base amount for 2004 and subsequent years.

There is also an increase in the overall city LGA appropriation limit by the amount of additional aid provided under this section for 2003 and 2004.

Effective Date: Aids payable in 2003 and thereafter.

**SS Chapter 5, Article 3, Section 93
State Aid Certifications**

Does not add or change existing statutes.

Grants DOR extra time, until September 1, 2001, to certify to the local units of government the state aid or reimbursement amounts administered or paid by the department in calendar year 2002.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 10, Article 1, Section 29
Police and Fire Amortization Aid;
Appropriation**

Does not add or change existing statutes

Appropriates money (\$6,345,000 for each fiscal year 2002 and 2003) to DOR for payment of state aid to amortize the unfunded liability of local police and salaried firefighters relief associations and the former consolidation accounts in the Police and Fire Fund of PERA, as well as to pay reimbursements to relief associations for firefighter supplemental benefits.

Effective Date: None listed so July 1, 2001.

**SS Chapter 10, Article 5, Section 1
Police State Aid; Definitions**

Amends M.S. 69.011, subdivision 1

Includes American Indian tribal governments with police departments in the definition of "municipality" for the purpose of the police state aid program.

Also specifies that for purposes of

definitions relating to state police aid laws that the clerk is the person designated by the applicable tribal government for tribal police departments with arrest powers.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 10, Article 15, Section 13
Minneapolis Finance Director;
Report**

Adds M.S. 423C.13

Directs the finance director for the city of Minneapolis to file a certificate on or before March 1 each year with the county auditor and DOR stating that the Minneapolis firefighters relief association exists and including any other information that the commissioner or auditor may require.

Also requires that the commissioner of DOR to provide the finance director with the necessary documents for the city and the firefighters relief association to carry out its duties and to receive state aid.

Effective Date: None listed so July 1, 2001.

PROPERTY TAX CREDITS

**SS Chapter 5, Article 3, Section 37
Market Value Homestead Credits**

Adds M.S. 273.1384

The five subdivisions in this section create and appropriate money for two new credits: the Residential

Homestead Market Value Credit and the Agricultural Homestead Market Value Credit. These credits are meant to proportionately reduce the NTC-based property tax and succeed the EHC and EAC.

The residential homestead credit is for class 1a, 1b, 1c, and 2a homestead properties. For the latter two classes, the credit is applied only for the HGA. The county auditor will determine the residential homestead credit for each eligible property by multiplying the market value by 0.4 percent, with a maximum credit amount of \$304.

The residential credit is phased out at a rate of .09 percent of the value over \$76,000. The result is that the credit becomes zero if the homestead has a market value of approximately \$413,800 or more.

The agricultural homestead credit is for class 2a agricultural land and buildings beyond the HGA. The auditor will multiply the first \$115,000 of market value by 0.2 percent to determine the agricultural credit amount, with a maximum of \$230. There is no phase-out for the agricultural homestead credit.

Counties must annually report both credit amounts, as well as any prior year adjustments, on the abstract of tax lists to DOR.

Local taxing jurisdictions, except for school districts and TIF districts, will receive payments for these credits, including adjustments, twice a year from DOR. Equal installments will be made on October 31 and December 26 of the year for which the credits are

granted. TIF districts will receive payments only on December 26.

School districts will receive their payments from CFL, just like they used to receive payments for the EHC.

Effective Date: Taxes, credits and reimbursements payable in 2002 and thereafter.

SS Chapter 5, Article 3, Section 38 Credit Payment; School Districts

Amends M.S. 273.1392

This section simply substitutes the new Residential Homestead Market Value Credit and Agricultural Homestead Market Value Credit for references to the attached machinery aid and EHC in the list of aids and credits that DOR must certify to CFL. These new credits will be paid to the appropriate local governments by CFL.

Effective Date: Aids and credits payable in 2002 and thereafter.

SS Chapter 5, Article 3, Section 39 Computation of Net Property Taxes

Amends M.S. 273.1393

Again, this section is just a simple substitution. The new Residential Homestead Market Value Credit and Agricultural Homestead Market Value Credit replace the old EHC on the list of credits that need to be subtracted from the gross tax to arrive at the net property tax amount.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 6, Section 4
Taconite Tax Relief Area**

Amends M.S. 273.134

Changes the definition of the taconite tax relief area for purposes of the taconite homestead credit only.

Aitkin, Crosby-Ironton and Grand Rapids school districts will no longer receive the taconite homestead credit but rather an identical supplemental homestead credit funded by the state general fund.

A new paragraph (b) maintains the existing definition of the taconite tax relief area for purposes other than the taconite homestead credit.

Effective Date: For taxes and aids payable and expenditures authorized in 2002.

**SS Chapter 5, Article 6, Sections 5 to 7
Taconite Tax Relief Area**

Amends M.S. 273.135, subdivisions 1 and 2; and M.S. 273.136, subdivision 2

Makes technical changes of cross-references to maintain reference to the existing definition of the taconite tax relief area in section 4 (see above).

Effective Date: For taxes payable and in 2002 and thereafter.

**SS Chapter 5, Article 6, Section 8
Taconite Tax Relief Area;
Reductions**

Amends M.S. 273.1391, subdivision 2

Since the definition of the taconite tax relief area changed, Aitkin, Crosby-Ironton and Grand Rapids school districts will no longer receive the taconite homestead credit but rather an identical supplemental homestead credit funded by the state general fund.

Effective Date: For taxes payable in 2002.

**SS Chapter 5, Article 6, Section 9
Aid Payment Dates**

Changes the payment date of the supplemental homestead credit from May 15 and October 15 to July 20 and December 26, which is applicable to most other property tax aids and credits.

Effective Date: For payments in 2002 and thereafter.

**SS Chapter 5, Article 6, Section 25
Property Tax Relief Account**

Amends M.S. 298.28, subdivision 6

Reduces the distribution to the taconite property tax relief account used to fund the taconite homestead credit to 35.9 cents per ton from 38.81 cents a ton. This change is made since the change to the taconite tax relief area definition (see section 4 on this page) means the amount needed from this fund is reduced.

Effective Date: For distribution in 2002 and thereafter.

F. LOCAL GOVERNMENT AID

GENERAL PROVISIONS

SS Chapter 5, Article 3, Section 1 Local Government Aid Reform Account

Adds M.S. 16A.1523

Establishes a new account in the general fund for LGA reform. The money is to be spent on changes to the LGA distribution formula and for supplemental aids to address LGA disparity problems.

For fiscal year 2003 and each year thereafter \$14 million is appropriated to the fund. In fiscal year 2004 and each year thereafter, the annual appropriation is increased by 2.5 percent of the fund balance.

Effective Date: The day following final enactment (July 1, 2001).

SS Chapter 5, Article 3, Section 2 Transit Funds

Adds M.S. 16A.88

Establishes three transit funds. The first is the Greater Minnesota Transit Fund that is to be used by DOT for property tax replacement aid payments to transit systems in greater Minnesota.

Also establishes a Metropolitan Area Transit Fund that is to be used by the Metropolitan Council to:

- fund transit operating expenses in the metro area;
- provide financial assistance to other transit providers;
- fund metro mobility; and
- provide financial assistance to cities and towns to replace limited services provided by metro transit with services from another provider.

The third fund established is the Metropolitan Area Transit Appropriation Account that is used for the funding of transit systems in the metro area, subject to legislative appropriation.

Effective Date: July 1, 2001

SS Chapter 5, Article 3, Section 79 Rental Housing Tax Base Replacement Aid

Adds M.S. 477A.07

This new section establishes the rental housing tax base replacement aid, which provides aid to counties and cities in 2003 and beyond based on the reduction in tax capacity resulting from rental housing class rate reductions for taxes payable in 2003 and 2004.

The aid is equal to the jurisdiction's reduction in tax capacity in excess of 0.4 percent of the jurisdiction's total NTC multiplied by the jurisdiction's local tax rate for the previous year.

Provides that a county's 2003 aid amount is permanently added to the county's HACA base amount for 2003 and subsequent years and that a county's 2004 aid amount is permanently added to the county's HACA base amount for 2004 and subsequent years.

For cities, the 2003 aid amount is permanently added to the city's grandfathered LGA base amount for 2003 and subsequent years. The aid amount for 2004 is permanently added to the city's grandfathered LGA base amount for 2004 and subsequent years.

There is also an increase in the overall city LGA appropriation limit by the amount of additional aid provided under this section for 2003 and 2004.

Effective Date: Aids payable in 2003 and thereafter.

LOCAL GOVERNMENT AID FOR CITIES

SS Chapter 5, Article 3, Section 74 Tax Effort Rate; LGA

Amends M.S. 477A.011, subdivision 35

Increases the "tax effort rate" used in the LGA formula for payable 2002 to the sum of the net levy for all cities and the total HACA payment to all cities in the previous year, divided by the total city NTC for all cities for the previous year. This is to offset the elimination of city HACA for 2002

and subsequent years.

Effective Date: Aids payable in 2002 and thereafter.

SS Chapter 5, Article 3, Section 75 City Aid Base; LGA

Amends M.S. 477A.011, subdivision 36

Adds several paragraphs (o, p and q) and modifies an existing paragraph (n), which increases the city aid base for four cities: Osseo, Hopkins, Chaska and Newport (without specifically naming those cities) and for cities in the non-metro with a population of at least 10,000 residents.

- (n) Increases the city aid base for the city of Osseo by an additional \$50,000 for the years 2002 to 2011 and its maximum aid by \$50,000 for 2002 only.
- (o) Increases the city aid of each nonmetro city with a population over 10,000 by an amount equal to the lesser of (1) \$60 times the population of the city in excess of 5,000, as determined by the U.S. Census Bureau, or (2) \$2,500,000. Also increases the maximum aid of the qualifying city by the same amount for 2002 only.
- (p) Increases the city aid base for the cities of Chaska and Hopkins by \$50,000 for the years 2002 and thereafter and increases their maximum aid by \$50,000 for 2002 only.

- (q) Increases the city aid base for the city of Newport by \$150,000 for the years 2002 to 2011 and increases the maximum aid by \$150,000 for 2002 only.

Effective Date: Aids payable in 2002.

**SS Chapter 5, Article 3, Section 77
City LGA Limitations**

Amends M.S. 477A.013,
subdivision 9

This section limits LGA increases in 2002 for first-class cities to 2.5 percent of the sum of its 2001 LGA plus HACA.

Also limits the aid increase for a city other than a city of the first class to 40 percent of the sum of its net levy for taxes payable in 2001, plus its 2001 HACA amount.

Removes an obsolete reference.

Effective Date: Aids payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 78
LGA; Annual Appropriation**

Amends M.S. 477A.03, subdivision 2

Increases the appropriation for city LGA by \$140 million for 2002.

Effective Date: Aids payable in 2002 and thereafter.

**LOCAL GOVERNMENT AID FOR
TOWNSHIPS**

**SS Chapter 5, Article 3, Section 76
Town LGA**

Amends M.S. 477A.013,
subdivision 1

Eliminates LGA to townships.

Effective Date: Aids payable in 2002 and thereafter.

G. TRUTH IN TAXATION

CERTIFICATION OF LEVIES

SS Chapter 5, Article 3, Section 54 Local Government Report on Taxes Levied

Amends M.S. 275.62, subdivision 1

Changes what is required on the report of taxes levied that is sent to DOR each year by counties, cities over 2,500 in population, towns over 5,000 in population, and other smaller cities and towns that receive taconite municipal aid.

Strikes the requirements to report on library levies. Changes the breakdown in reported levies to reflect the most recently allowed special levies outside of levy limits plus county levies for social services and related costs.

Effective Date: The day following final enactment (July 1, 2001).

MAILED NOTICES

SS Chapter 5, Article 3, Section 47 Proposed Property Taxes; Notice

Amends M.S. 275.065, subdivision 3

Makes two slight modifications to "Notices of Proposed Property Taxes," commonly referred to as "Truth in Taxation" or TNT parcel specific notices.

Specifies that the notices show the public hearing locations, dates, and times only for those taxing authorities actually required to hold a public meeting.

All TNT parcel specific notices must also show a telephone number of the taxing authority that the taxpayers may call with questions about the notice.

Effective Date: TNT notices required in 2001 for taxes payable in 2002 and thereafter.

SS Chapter 5, Article 3, Section 91 Proposed Notices; Public Hearings

Does not add or change existing statutes

Suspends the public hearing requirements for TNT only for taxes levied in 2001, payable in 2002. However, they may still be held if the taxing authority chooses to do so. Requirements for such hearings are reinstated for payable 2003 and thereafter.

The TNT notices as contained in current law for taxes payable in 2002 are not required but a modified notice is required that DOR will prescribe and can modify.

The new notice contains many of the same requirements for the current notices (the current year, proposed year, and two additional columns for

changes due to spending and other factors) with one exception: the notice for payable 2002 requires only the proposed payable 2002 tax information.

Also requires the total (not each taxing authority's) net tax for taxes payable in 2001 and the parcel's classification and market value for payable 2001 and 2002. Notices must be mailed by December 14, 2001.

Gives the commissioner of DOR the power to waive or modify the notice based on a request of the county board. Also allows the commissioner to waive any procedures or deadlines having to do with administration of the property tax for payable 2002.

Specifically states that this section supercedes the public hearing and notice requirements in current law.

Effective Date: July 1, 2001

SS Chapter 5, Article 7, Section 20 Valuation of Real Property; Notice

Amends M.S. 273.121

Modifies requirements of the market value notice sent by the county assessor to property owners. Notice must now be sent to all property owners, regardless of whether or not the property was reclassified or reassessed.

The notice must contain the following new additions:

- market value for both the current and prior assessment years;
- the limited market value for both the current and prior assessment years; and
- classification of the property for both the current and prior assessment years.

The commissioner of DOR will specify the form of the notice.

Also makes technical changes to reflect the change in the name of the local boards of appeal and equalization (see Special Session Chapter 5, Article 7, Section 21 on page 58).

Effective Date: For notices required to be mailed in 2002 and thereafter.

PUBLISHED NOTICES

Chapter 38, Section 1 Public Notices; Qualified Newspaper

Amends M.S. 331A.02, subdivision 1

Modifies the space requirement for public notices to 800 square inches if the local public corporation the newspaper purports to serve has a population of less than 1,300 and the newspaper does not receive a public subsidy. Previously the minimum was 1000 square inches, without the exception.

Also modifies the subscription and delivery requirements for qualified newspapers if the local public corporation it purports to serve has a

population of less than 1,300. Such a newspaper must have 250 copies delivered to paying subscribers or 250 copies distributed without charge to local residents.

Effective Date: None listed so August 1, 2001.

**SS Chapter 5, Article 3, Section 48
Proposed Property Taxes; Public
Advertisement**

Amends M.S. 275.065,
subdivision 5a

Makes several changes to how taxing jurisdictions must advertise hearings. Specifies that only those taxing districts that are required to hold a public hearing must advertise such a hearing in a newspaper or by posted notices in the case of small cities.

Counties and cities with a population greater than 2,500 are now required to show in the newspaper notice the current local tax rate, the proposed local tax rate if no levy increase is adopted, and the proposed rate if the proposed levy is adopted.

Effective Date: For public advertisements required in 2001 for taxes payable in 2002 and thereafter.

PUBLIC HEARINGS

**SS Chapter 5, Article 3, Section 49
Proposed Property Taxes; Public
Hearings**

Amends M.S. 275.065, subdivision 6

This section lists which taxing districts do not have to hold a public hearing on proposed property taxes. These districts include:

- cities,
- counties,
- metropolitan special taxing districts (including the Metropolitan Council, Metropolitan Airports Commission and Metropolitan Mosquito Control Commission), and
- school districts

that have a proposed levy for the next taxes payable year that does not exceed the previous year's levy by more than the percentage increase in the implicit price deflator calculated by the U.S. Department of Commerce.

Effective Date: TNT hearings required in 2001 for taxes payable in 2002 and thereafter.

H. PROPERTY TAX COLLECTION AND DISTRIBUTION

PROPERTY TAX STATEMENTS

SS Chapter 5, Article 3, Section 55 Contents of Tax Statements

Amends M.S. 276.04, subdivision 2

This section modifies what is required on property tax statements to eliminate the state determined school tax and add the new state general property tax.

The sentence stating that the state does not receive any property tax revenue is no longer required. Also substitutes the new Residential Homestead Market Value and Agricultural Homestead Market Value Credits for the old EHC and education agricultural credit.

Effective Date: July 1, 2001 for statements required in 2002 and thereafter.

SETTLEMENT AND DISTRIBUTION

SS Chapter 5, Article 3, Section 56 Property Tax Collections; Due Date

Amends M.S. 276.11, subdivision 2

Adds a due date of "before June 30" to when the county treasurer must pay to the state treasurer the state's share of property tax collections as

of the May 20 settlement date.

Effective Date: Taxes payable in 2002 and thereafter.

SS Chapter 5, Article 20, Section 2 Additional Revenues; Priority

Amends M.S. 16A.152, subdivision 2

Eliminates the requirement that 60 percent of any unrestricted general fund balance at the end of a biennium be deposited into the property tax reform account, which is repealed in Special Session Chapter 5, Article 20, Section 24.

Effective Date: The day following final enactment (July 1, 2001).

SS Chapter 5, Article 20, Section 22 Budget Reserve

Amends M.S. 16A.152, subdivision 2

Increases the budget reserve account from \$622 million to \$653 million on July 1, 2001. Also transfers \$31 million to the budget reserve account on July 1, 2003.

Effective Date: July 1, 2001

I. PROPERTY TAX REFUND

HOMEOWNERS

SS Chapter 5, Article 4, Section 1 Property Tax Refund; Homestead; Definition

Amends M.S. 290A.03, subdivision 6

Limits the homeowner property tax refund for farmers to taxes on the HGA. Previously the house, garage, and first \$600,000 of market value of agricultural land were eligible for the property tax refund.

Effective Date: Refunds based on property taxes payable in 2002.

SS Chapter 5, Article 4, Section 2 Property Tax Refund; Property Taxes Payable

Amends M.S. 290A.03, subdivision 13

Provides that the "targeting" homeowner property tax refund will be calculated before the regular property tax refund, also known as the "circuit breaker."

Effective Date: Refunds based on property taxes payable in 2002.

SS Chapter 5, Article 4, Section 3 Property Tax Refund; Homeowners

Amends M.S. 290A.04, subdivision 2

This section increases the maximum homeowner property tax refund and the amount of income a homeowner may have and still be eligible for the homeowner property tax refund.

With the change in the base year used for adjusting the maximum refund and income for inflation proposed, the new maximum refund is \$1,450 and the new maximum income is \$77,519 for refunds based on taxes payable in 2002. Previously, the maximum refund was \$440 and the maximum income allowed was \$61,929.

Also decreases the income threshold and the taxpayer's co-payment amount for incomes below \$53,790.

Effective Date: Refunds based on property taxes payable in 2002.

RENTERS

SS Chapter 5, Article 4, Section 4 Property Tax Refund; Renters

Amends M.S. 290A.04, subdivision 2a

This section increases the maximum renter property tax refund and the amount of income a renter may have and still be eligible for a property tax refund.

With the change in the base year used for adjusting the maximum refund and income for inflation, the new maximum refund is \$1,190 and the new maximum income is \$41,819 for refunds based on taxes payable in 2002. Previously, the maximum refund was \$1,030 and the maximum income allowed was \$36,119.

These changes put the renter and homeowner refund on a common base year for the annual inflation adjustment.

Effective Date: Refunds based on property taxes payable in 2002.

J. TAX-FORFEITED LAND

SALE OR CONVEYANCE

Chapter 164, Section 2 Conveyance of Tax-Forfeited Property; Private Easements

Amends M.S. 282.04 by adding subdivision 4a

Allows a county board to convey a road easement across unsold tax-forfeited land to an individual requesting an easement for access to private property owned by that person if:

- there are no reasonable alternatives to obtain access to the individual's property; and
- exercising the easement will not cause significant adverse environmental or natural resource management impacts.

The individual must pay the appraised value of the easement. The conveyance must provide that the easement reverts to the state in trust for the taxing district in the event of nonuse.

Effective Date: The day following final enactment (May 25, 2001).

Chapter 164, Section 5 Environmental Trust Fund; Sales of Tax-Forfeited Land

Amends Laws 1998, Chapter 389, Article 16, Section 31, subdivision 4, as amended by Laws 1999, Chapter 180, Section 3

Allows all the following to be withheld by a county board and not required to be deposited into an environmental trust fund from a sale of tax-forfeited land:

- the costs of appraisal, abstracts, and surveys;
- money received from a sale that is attributable to land owned by a county in fee;
- amounts paid to lessees for improvements;
- amounts paid to acquire land that is included in a county plan for exchange and is conveyed to the state in the exchange, including the purchase price, appraisal, abstract, survey, and closing costs; and
- the costs of sale to lessees or other parties, including the costs of advertising, realtors, and closing services.

Effective Date: The day following final enactment (May 25, 2001).

SS Chapter 5, Article 3, Section 58 Period for Redemption

Amends M.S. 281.17

Corrects a cross-reference to the definition of class 4c property for which the period of redemption for is five years from the date of sale to the state.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 3, Section 59
Tax-Forfeited Land; County Sales**

Amends M.S. 282.01, subdivision 1

Clarifies that if the town or city fails to submit the application to acquire tax-forfeited land within the holding period of six months, the county may offer the property for sale after the six-month period.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 3, Section 60
Conveyance; Targeted
Neighborhoods**

Amends M.S. 282.01, subdivision 1b

This section was amended to clarify that the commissioner of DOR will convey eligible tax-forfeited lands in targeted neighborhoods upon proper application, regardless of whether the targeted neighborhood is located in a metropolitan county or outstate.

Previously, the provision for outstate areas appeared to make the commissioner's conveyance discretionary.

Also clarifies that the associated deeds are not conditioned upon a specific continued use of the property.

Effective Date: For deeds issued on or after August 1, 2001.

**SS Chapter 5, Article 3, Section 61
Conveyance Tax-Forfeited Lands;
Form**

Amends M.S. 282.01, subdivision 1c

Removes the ability of governing bodies of local subdivision and county boards to determine another public use of tax-forfeited land. Under current practices, these deeds are sometimes inadvertently sold or used for other purposes, which causes a great deal of administrative work to correct the situation. This change will make it easier for DOR to monitor the use of tax-forfeited land.

Effective Date: For deeds issued on or after August 1, 2001.

**SS Chapter 5, Article 3, Section 62
Conveyance Tax-Forfeited Lands;
Failure to Use**

Amends M.S. 282.01, subdivision 1d

This section modifies the conveyance provisions by providing that if after three years (previously it had been five years) from the date of the conveyance a governmental subdivision to which tax-forfeited land has been conveyed for a specific public use fails to put the land to that use, the governing body may, with the approval of the county board, purchase the property at the present appraised value as determined by the county board. In that case, the commissioner will issue an appropriate deed to the subdivision free of a use restriction and reverter.

It should be noted that if the governmental subdivision chooses not to purchase the property at the end of the three year period, they can in effect, repeat the current process of

requesting county board approval for a new public use deed.

These changes do not pertain to deeds of conveyance issued on property in targeted neighborhoods.

Effective Date: August 1, 2001. For deeds existing on the effective date, the three-year limitation beings on August 1, 2001, except no deed issued prior to August 1, 2001 will have a limitation of less than five years.

**SS Chapter 5, Article 3, Section 63
Conveyance Tax-Forfeited Lands;
Reversion**

Amends M.S. 282.01, subdivision 1e

Adds that if tax-forfeited land is not purchased by the state (previously it was only just conveyed to the state) by the end of the new three-year period, a declaration of reversion to the state cannot be made any earlier than 60 days after the expiration of the three year period.

Effective Date: For deeds issued on or after August 1, 2001.

**SS Chapter 5, Article 3, Section 66
Tax-Forfeited Lands; Ramsey
County**

Adds M.S. 383A.76B

Authorizes the Ramsey County Board to sell tax-forfeited lands in the county to any governmental subdivision to be used for any of its public purposes. The county board is

authorized to determine the amount of the sale price. In the case of tax-forfeited land that the subdivision has requested for housing purposes, the county board may sell that land for less than the property's appraised value.

Provides that when land has been conveyed for a housing purpose for less than its appraised value and is not used within three years, it may revert back to the county. Property conveyed for less than its appraised value cannot be included in a TIF district.

Requires a report to the commissioner of DOR on tax-forfeited land conveyed for less than the appraised value every three years.

In determining the value, the county may consider such factors as the need for public subsidy, expected increases in property taxes, the potential use of the property for affordable housing, environmental contamination, site preparation and infrastructure costs, and other relevant factors.

Provides that the deed of conveyance for these lands to the governmental subdivision is conditioned on the continued use for the proposed purpose. If the governing body determines that a different use should be made of the land, it must hold a public hearing, adopt a resolution, and file a copy of the resolution. This change would not require the approval of the county board or DOR as is required under general law.

Permitted public uses for the land include: street, storm water ponding, drainage, parks, watershed, wetlands, library, fire and police stations, utility easements, and public facilities.

Effective Date: When a majority of the governing body of Ramsey County approves the section and the chief clerical officer files the appropriate certificate with the secretary of state.

**SS Chapter 5, Article 3, Section 83
Conveyance of Tax-Forfeited
Land; Dakota County**

Does not add or change existing statutes

Provides that if Special School District No. 6 conveys certain land in the city of South St. Paul in Dakota County to the state, then DOR will reconvey that land to special school district No. 6 at no cost.

The conveyance must be in a form approved by the attorney general, which is standard practice.

It allows the school district to use or sell the land for other than a public use. Previously, when a taxing district obtained tax-forfeited land, the land must have been used for a public use.

It further provides that the state will not retain a reversionary interest and will convey the land free of the trust in favor of the school district.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 3, Section 85
Tax-Forfeited Land; St. Louis
County**

Does not add or change existing statutes

Allows St. Louis County to privately sell certain tax-forfeited land to one or more of the owners at the time it is forfeited as the county has determined that returning the land to private ownership is in the county's best management interests.

The conveyance must be in a form approved by the attorney general, which is standard practice.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 7, Section 23
Tax-Forfeited Land; Abandoned
Personal Property**

Amends M.S. 282.04, subdivision 2

Updates references directing how a county sheriff and county auditor may sell abandoned personal property on tax-forfeited land. Provides the same powers to counties as under current law but makes a more specific reference.

Effective Date: The day following final enactment (July 1, 2001).

REPURCHASE

SS Chapter 5, Article 3, Section 64 Tax-Forfeited Lands; Repurchase After Forfeiture

Amends M.S. 282.241 by adding
subdivision 2

Allows a county board to establish an alternative method of computing the repurchase amount for homestead property that has been in tax forfeiture for more than ten years.

The equivalent taxes, penalties, interest, and costs for each year the property was in forfeited status are calculated using the average of the estimated market value of the property at the time of forfeiture and the current estimated market value, the class rates under current law and the current tax, penalty and interest rates.

The tax, penalty and interest as calculated above, plus any reinstated special assessments due and unpaid at the time of repurchase, including the penalties and interest on the special assessments, equal the repurchase price.

The county assessor will determine the current market value and classification of the property.

Effective Date: The day following final enactment (July 1, 2001).

K. MISCELLANEOUS LAWS**COUNTY PERSONNEL****Chapter 105, Section 1
Auditor, Treasurer and Recorder;
Hubbard County**

Does not add or change existing statutes

Requires the county auditor, treasurer and recorder positions of Hubbard County to be filled by appointment by the county board of commissioners rather than by an election. The current elected incumbents are allowed to finish their term.

Effective Date: The day after the governing body of Hubbard County approves such a resolution and its chief clerical officer files the appropriate certificate with the secretary of state.

**Chapter 105, Section 2
Auditor-Treasurer and Recorder;
Cass County**

Does not add or change existing statutes

Allows the Cass County board of commissioners to appoint the auditor-treasurer and county recorder positions rather than by an election. The current elected incumbents are allowed to finish their term.

Effective Date: The day after the

governing body of Cass County approves such a resolution and its chief clerical officer files the appropriate certificate with the secretary of state.

**Chapter 184, Sections 1 to 4
Auditor-Treasurer; Goodhue
County**

Does not add or change existing statutes

Requires the auditor-treasurer position of Goodhue County to be filled by appointment by the county board of commissioners rather than by an election. The current elected incumbent is allowed to finish their term.

Effective Date: The day after the governing body of Goodhue County approves such a resolution and its chief clerical officer files the appropriate certificate with the secretary of state.

**SS Chapter 5, Article 7, Section 14
County Assessor; Appointments**

Amends M.S. 273.061, subdivision 1

Authorizes the commissioner of DOR to grant two-year probationary approval to county assessor appointments. Previously the law required the commissioner of DOR to approve the appointment of each county assessor for the entire four-year term.

At the end of the probationary term, the commissioner can:

- refuse appointment for remainder of four-year term;
- approve another two-year probationary term; or
- unconditionally approve appointment for remainder of four-year term.

States that the criteria are not to be considered rules and are not subject to the Administrative Procedure Act.

Effective Date: The day following final enactment (July 1, 2001).

SS Chapter 5, Article 7, Section 15 County Assessor; Vacancies

Amends M.S. 273.061, subdivision 2

Extends the time period allowed for county boards to fill a vacancy in the office of county assessor from 30 days to 90 days. Also changes the conditions under which a county board may terminate a county assessor before the end of that assessor's four-year term.

Previously, the commissioner of DOR had to charge the assessor with "inefficiency or neglect of duty." The new language changes this to "malfeasance, misfeasance or nonfeasance" by the assessor.

Although the definitions of the following are not in statutes, they are legal definitions from Black's Law Dictionary:

Malfeasance

The commission of some act that is unlawful; the commission of an act which is wholly wrongful and positively unlawful; any wrongful conduct that affects, interrupts or interferes with the performance of official duties.

Misfeasance

The improper doing of an act which the agent might lawfully do, or, in other words, it is the performing of the agent's duty to the agent's principal in such a manner as to infringe upon the rights or privileges of third persons.

Nonfeasance

The total omission or failure of an agent to enter the performance of some distinct duty or undertaking which the agent has agreed with the agent's principal to do.

Effective Date: The day following final enactment (July 1, 2001).

SS Chapter 5, Article 7, Section 16 County/Local District Assessments

Amends M.S. 273.072, subdivision 1

Eliminates the requirement that the commissioner of DOR approve joint powers agreements that provide for the assessment of property within a city or town by the county assessor.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 7, Section 17
Assessment Personnel; Training**

Amends M.S. 273.0755,
subdivision 1

Provides that with the four-year period beginning on July 1, 2000, and in every four-year period after that, each assessor licensed as an Accredited Minnesota Assessor or Senior Accredited Minnesota Assessor must successfully complete a weeklong course on property tax laws sponsored by DOR.

If an assessor passes the test for the class, they do not need to attend the class.

Also allows the commissioner to require that each county, and each city for which the assessor performs the duties of county assessor, have a person on staff who has been certified by DOR to do:

- sales ratio calculations,
- tax calculations, and
- preparation of the abstracts of assessment.

Each county may also be required to have a person certified by the department to prepare the abstract of tax lists.

Effective Date: July 1, 2001

**SS Chapter 5, Article 7, Section 21
Board of Appeal and Equalization;
Meetings**

Amends M.S. 274.01, subdivision 1

Changes the name of the town board of review to "board of appeal and equalization." Also changes the name of the city board of equalization to "board of appeal and equalization."

The name of the county board of equalization is changed to "board of appeal and equalization."

Eliminates the "Saturday meetings" requirement for cities or towns where 25 percent or more of the total NTC is class 4 noncommercial seasonal recreational property.

Effective Date: January 1, 2002

**SS Chapter 5, Article 7, Section 22
Board of Appeal and Equalization;
Members**

Amends M.S. 274.13, subdivision 1

Renames the county board of equalization to "board of appeal and equalization."

Effective Date: January 1, 2002

GENERAL PROVISIONS**SS Chapter 5, Article 3, Section 5
Detachment and Annexation;
Petition**

Amends M.S. 123A.45, subdivision 2

A petition for detachment and annexation of property from one school district to an adjoining district must now also contain a description

of whether bonded indebtedness will be allocated to the attaching school district or the detaching district.

Effective Date: The day following final enactment (July 1, 2001) for detachment and annexation requests approved by a county board on or after that date.

**SS Chapter 5, Article 3, Section 6
Detachment and Annexation;
Taxable Property**

Amends M.S. 103D.905,
subdivision 6

Provides that in a case where property is detached from one school district and attached to an adjoining district, the property is liable for the debt of the attaching school district and not for the debt of the detaching district.

Effective Date: The day following final enactment (July 1, 2001) for detachment and annexation requests approved by a county board on or after that date.

**SS Chapter 5, Article 3, Section 88
Chisago City and Wyoming
Township; Municipal
Reimbursement**

Does not add or change existing statutes

Permits the city of Chisago and the township of Wyoming to set the time limit for the city's reimbursement for annexed property (a joint commercial and business park) as part of a joint

powers agreement. Current law requires reimbursement over a period of not less than two but not more than six years.

Effective Date: July 1, 2001

**SS Chapter 5, Article 3, Section 92
Report; Assessment Practices
and Market Values**

Does not add or change existing statutes

Requires that DOR submit a report to the state legislature by March 1 of each year on market values and assessment practices.

The report must contain information on:

- market value trends for up to five years;
- analysis of effects of LMV;
- tax shift implications of market value trends and LMV;
- assessment quality indicators (such as sales ratios, coefficients of dispersion etc.);
- consideration of factors such as number of sales, time period, geographical area, etc.;
- State Board of Equalization orders; and
- percentage of parcels that change in value per year.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 7, Section 18
Iron Ore; Value Adjustment**

Amends M.S. 273.1104,
subdivision 2

Strikes an obsolete reference to an adjustment that is no longer required by law.

Effective Date: The day following final enactment (July 1, 2001).

MORTGAGE AND DEED TAXES**SS Chapter 5, Article 7, Section 24
Imposition of Mortgage Tax**

Amends M.S. 287.035

Changes the amount of tax imposed for recording a mortgage to .23 percent of the debt secured by the mortgage. Previously it had been 23 cents on each \$100 of debt.

Also changes the person liable for the tax from the mortgagee to the mortgagor.

Effective Date: For mortgages acknowledged and recorded after July 31, 2001.

**SS Chapter 5, Article 7, Section 25
Mortgage Tax; Exemptions**

Amends M.S. 287.04

Replaces the exemption for bonds issued by the St. Paul port authority with an exemption for low- and moderate-income housing loans

made by federal, state, or local government agencies. Repeals the general exemption for governmental agencies.

Also provides an exemption for loans that are used to acquire or improve real property that is classified as agricultural.

Effective Date: For mortgages acknowledged and recorded after July 31, 2001.

**SS Chapter 5, Article 7, Section 26
Mortgage Tax; Refund Claims**

Amends M.S. 287.08

Allows taxpayers three and a half years from the date of payment to claim a refund of erroneously paid mortgage registry tax and an additional 60 days to go to tax court if the county denies the refund. If the county does not make a determination within six months, the taxpayer may go directly to tax court for relief.

Previously taxpayers had only 60 days from the time of overpayment to either seek a refund from the county or bring an action in tax court.

Also specifies that the mortgagor must pay the mortgage registration tax. Allows the mortgagee to collect and remit the tax on behalf of the mortgagor but if they do, then they have a fiduciary duty to pay that tax to the county and the mortgagor is relieved of any further obligation to pay the tax.

Effective Date: For the change in the time period for a taxpayer to file for a refund, it is effective for overpayments occurring after July 31, 2001. The remaining changes are effective for mortgages acknowledged and recorded after July 31, 2001.

**SS Chapter 5, Article 7, Section 27
Mortgage Tax; Payment to Mortgagee**

Amends M.S. 287.13, subdivision 3

Provides that if a mortgagee collects the mortgage tax from the mortgagor, the mortgagee and not the mortgagor is subject to the penalties for nonpayment of the tax.

Effective Date: For mortgages acknowledged and recorded after July 31, 2001.

**SS Chapter 5, Article 7, Section 28
Deed Tax; Consideration**

Amends M.S. 287.20, subdivision 2

Clarifies the definition of "consideration" in determining the deed tax on certain contracts for deed. Provides that if the contract for deed, or other agreement entered into as a condition executing the contract, requires the property to be both:

- improved during the term of the contract; and
- the price of the real property reflected in the contract does not include the cost of the required improvements,

then the consideration to which the deed tax applies is the price for the real property as reflected in the contract and the cost of the required improvements added during the term of the contract.

Effective Date: For deeds acknowledged and recorded after July 31, 2001.

**SS Chapter 5, Article 7, Section 29
Deed Tax; Reorganization**

Amends M.S. 287.20, subdivision 9

Clarifies current DOR treatment of reorganizations for deed tax purposes by adding a reference to the Internal Revenue Code.

Transfers occurring during corporate or partnership reorganization are subject to a minimal deed tax.

Effective Date: For deeds acknowledged and recorded after July 31, 2001.

**SS Chapter 5, Article 7, Section 30
Deed Tax; Determination**

Amends M.S. 287.21, subdivision 1

Changes the amount of the deed tax to .33 percent of the net consideration. Previously it had been \$1.65 for each \$500 of the net consideration.

Effective Date: For deeds acknowledged and recorded after July 31, 2001.

**SS Chapter 5, Article 7, Section 31
Deed Tax; Refund Claims**

Amends M.S. 287.28

Allows taxpayers three and a half years from the date of payment to claim a refund of erroneously paid mortgage registry tax and an additional 60 days to go to tax court if the county denies the refund. If the county does not make a determination within six months, the taxpayer may go directly to tax court for relief.

Previously taxpayers had only 60 days from the time of overpayment to either seek a refund from the county or bring an action in tax court.

Effective Date: For overpayments occurring after July 31, 2001.

**SS Chapter 5, Article 7, Section 61
Deed Tax; Ramsey County**

Amends M.S. 383A.80

Changes the mortgage registry tax that Ramsey County may impose from one cent per \$100 of the principal to .01 of the principal.

Also changes the deed tax that Ramsey County may impose from five cents for each \$500 of the debt secured to .01 percent.

Effective Date: For documents acknowledged and recorded after July 31, 2001.

**SS Chapter 5, Article 7, Section 62
Deed Tax; Hennepin County**

Amends M.S. 383B.80

Changes the mortgage registry tax that Hennepin County may impose from one cent per \$100 of the principal to .01 of the principal.

Also changes the deed tax that Hennepin County may impose from five cents for each \$500 of the debt secured to .01 percent.

Effective Date: For documents acknowledged and recorded after July 31, 2001.

TAX COURT**SS Chapter 5, Article 3, Section 14
Tax Court; Small Claims**

Amends M.S. 271.01, subdivision 5

Grants jurisdiction to the small claims division of tax court for petitions concerning property valuation, assessment, or taxation provided they meet certain requirements described in Special Session Chapter 5, Article 3, Section 15 (see below).

Effective Date: 2002 assessment year and thereafter.

**SS Chapter 5, Article 3, Section 15
Tax Court; Jurisdiction**

Amends M.S. 271.21, subdivision 2

Adds petitions involving valuation, assessment or taxation of real or personal property to the jurisdiction

of the small claims division of tax court provided that the property is one of the following:

- the issue is a denial of a current year application for the homestead classification of the property;
- only one parcel is included in the petition, the entire parcel is classified as homestead (residential or disabled), and the parcel contains only one dwelling unit; or
- the assessor's estimated market value of the property included in the petition is less than \$300,000.

These changes will allow taxpayers who did not appeal their property to the local boards of review to file a petition in the small claims division.

In small claims tax court, a taxpayer does not need to be represented by an attorney, the proceedings are more informal, and the process is less costly and less intimidating for the taxpayer.

These changes also increase the maximum value of property for which a petition can be filed. Previously, the maximum was \$100,000. That threshold was established in the mid-1980s. The new threshold of \$300,000 allows property of a higher market value (e.g., a small business that has an EMV of \$250,000) to file in small claims division.

Petitions concerning homestead property, regardless of its market

value, are allowed in the small claims division.

Effective Date: 2002 assessment year and thereafter.

TITLES OF PROPERTY

Chapter 50, Section 1 Creation of Servitudes

Adds M.S. 507.47

Allows a single owner of multiple tracts of land (like a housing developer) to file a declaration creating covenants, conditions, and easements. Clarifies that the common law doctrine of merger does not defeat the declaration when it is filed.

Effective Date: The day following final enactment (April 27, 2001) for all easements, conditions, restrictions, and other servitudes created before, on, or after April 27, 2001. It does not affect actions pending on April 27, 2001, or started before February 1, 2002, if notice of the action is filed before February 1, 2002, in the office of the registrar of titles in the county where the property is located.

Chapter 50, Section 2 Certificate of Title; Amendment

Adds M.S. 508.59

Allows someone who acquires the interest held in land by the original applicant for a certificate of title to be

substituted for that applicant by filing an amendment.

Also excuses the substitute from paying a filing fee.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 5
Certificate of Title; Reissuance**

Amends M.S. 508.421 by adding subdivision 1a

Allows the owner of registered land to ask the registrar of titles for a new certificate of title without memorials of interests in the land that have terminated.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 6
Common Elements Certificate of Title; Fees**

Amends M.S. 508.82, subdivision 2

Sets a \$15 fee to issue a CECT.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 7
Possessory Lands; Purpose**

Amends M.S. 508A.01, subdivision 2

Eliminates the requirement of including an examiner's supplemental directive when

registering a CPT.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 8
Adjacent Land; Common Owner**

Amends M.S. 508A.08

Allows owners of two or more adjacent tracts in the same county to apply jointly to register title to their individual tracts with the approval of the examiner of titles.

Requires the application to list separately for each tract the information now required by law.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 9
Certificates of Possessory Title; Amendment**

Amends M.S. 508A.09, subdivision 2

Allows a person who acquires the original applicant's estate in land by voluntary instrument from the original applicant be substituted for the original applicant by executing an amendment to CPT.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 11
Certificates of Possessory Title;
Certified Copy**

Amends M.S. 508A.11, subdivision 1

Specifies that the applicant for a CPT to deliver a certified copy of the recorded application to the examiner of titles. Previously the application was recorded after it was sent to the examiner of titles.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 14
Certificates of Possessory Title;
Directives**

Amends M.S. 508A.22, subdivision 1

Adds requirement for issuing a CPT that specified interests in the examiner's report are shown in separate memorials and that interests arising after filing of the CPT application be shown.

Requires the title examiner to deliver the abstract of title to the registrar of titles, who must keep it. Provides that the abstract is not to be entered as a memorial on the CPT.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 17
Certificates of Possessory Title;
Content**

Amends M.S. 508A.35, subdivision 1

Modifies the content of a CPT. Strikes references to the provision on the examiner's supplemental directive, which was repealed by the 2001 Legislature.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 24
Certificates of Possessory Title;
Reissuance**

Amends M.S. 508A.421 by adding subdivision 1a

Allows an owner to request the registrar of titles to issue a new CPT free of the memorials about interests that have terminated.

Effective Date: None listed so August 1, 2001.

**Chapter 50, Section 25
Certificates of Possessory Title;
Combined Certificate**

Adds M.S. 508A.422

Allows the owner of registered land who has a CPT and a certificate of title to obtain a combined certificate of title. The combined certificate must state that lands described in the title examiner's directive are subject to certain claims that can be made within five years after the date of the first CPT.

Lands in the combined certificate that are registered under the certificate of title law or integrated into that system are governed by that

statute. Lands in a combined certificate registered under the CPT statute and not integrated into the certificate of title system are subject to the CPT statute.

Effective Date: None listed so August 1, 2001.

Chapter 50, Section 26 Certificates of Possessory Title; Fees

Amends M.S. 508A.52, subdivision 1

Sets the fees to be paid to the registrar for various actions in connection with CECTs and combined certificates of title. The fee for each canceled CPT and certificate of title is \$10 and the fee for each combined title is \$10.

Effective Date: None listed so August 1, 2001.

Chapter 50, Section 27 Changeover; Memorial on Certificates of Title

Amends M.S. 508A.85,
subdivision 4

Strikes a reference to a provision that is repealed and corrects another cross-reference.

Effective Date: None listed so August 1, 2001.

Chapter 50, Sections 31 to 36 40 Year Law

Amends M.S. 541.023, subdivisions 1 to 6

These sections amend a law that prevents actions affecting the title to real estate based on an instrument or transaction more than 40 years in the past. Obsolete references and references to the registrar of titles are deleted.

A new subdivision states that the "40 year law" does not apply to property while it is registered under the certificate of title or CPT law. The subdivision preserves actions pending on its effective date or started before February 1, 2002, if notice of the action is filed before February 1, 2002, in the office of the registrar of titles in the county where the property is located.

Effective Date: None listed so August 1, 2001.

WETLANDS

Chapter 146, Section 1 Wetlands; Easements

Amends M.S. 103F.516,
subdivision 1

Allows a county board to pay for the cost of related capital improvement projects to preserve or restore wetlands.

Adds type 4 and 5 wetlands and "public waters wetlands" and "public waters" to the list of wetlands that the county board may acquire easements on.

Effective Date: None listed so August 1, 2001.

**Chapter 146, Section 2
Nature of Property Rights**

Amends M.S. 103F.516,
subdivision 2

This is a technical change that adds "public waters wetlands" and "public waters" to references regarding property rights.

Effective Date: None listed so
August 1, 2001.

**Chapter 146, Section 3
Wetlands; Payment**

Amends M.S. 103F.516,
subdivision 3

This is another technical change that adds "public waters wetlands" and "public waters" to references regarding payments.

Effective Date: None listed so
August 1, 2001.

**Chapter 146, Section 4
Authority of Watershed
Management Organization;
Wetlands**

Amends M.S. 103F.612 by adding
subdivision 8

Grants watershed management organizations the same authority as a county regarding applications for wetland preservation areas.

Effective Date: None listed so
August 1, 2001.

**SS Chapter 5, Article 3, Section 80
Wetlands; Annual Appropriations**

Amends M.S. 477A.12

Provides that in lieu payments will be made for wetlands that are acquired from a private owner by the DOT for the purpose of replacing wetland losses caused by transportation projects if the county contains more than 500 acres of this type of land at the time the certification is made.

The county will receive the same per acre payment for this land as they previously received for "acquired natural resource land." For payments in 2001, that amount was \$3.56 per acre.

Provides that DOT will annually determine the number of acres of qualifying land, and will certify to DOR by March 1 of the payment year, the acreage and appraised value in those counties where the number of acres exceed 500. DOR will include these acres when determining the amount of payments.

Effective Date: Payments in 2002
and thereafter.

**SS Chapter 5, Article 3, Section 81
Wetlands; Use of Funds**

Amends M.S. 477A.14

Provides that when the county makes its in-lieu payment to each organized township for acquired natural resources land, the payment will also include amounts for these

wetland acres located within the township's boundaries. (See section on the previous page.)

Effective Date: Payments in 2002 and thereafter.

L. NEW PROPERTY TAX PROGRAMS

STATE GENERAL TAX

SS Chapter 5, Article 3, Section 46 State General Property Tax

Adds M.S. 275.025

Four subdivisions in this new section create and apportion money from a new state general property tax on commercial-industrial and seasonal recreational property.

Defines commercial-industrial tax capacity for purposes of the state general property tax as the tax capacity of all class 3 and class 5 property, excluding the attached machinery of an electric generating system and property located at the Minneapolis-St. Paul International Airport and the St. Paul Airport.

County tax capacity amounts for commercial-industrial property are not adjusted for the captured NTC of TIF districts, the NTC of transmission lines, or for fiscal disparities contribution and distribution NTC.

Defines seasonal recreational tax capacity for purposes of the state general property tax as the tax capacity of all class 4c noncommercial and commercial seasonal recreational property, except that the tax capacity of the first \$76,000 of noncommercial seasonal recreational property is reduced by 60 percent.

The baseline for the new tax is \$592

million for taxes payable 2002. In subsequent years, the levy is increased by multiplying the previous year's levy by one plus the rate of increase (if any) of the price deflator for government consumption expenditures and gross investments, which is prepared by the U.S. Department of Commerce. Moneys collected will be deposited in an education reserve account, which is marked for education aid or higher education funding.

This new section also specifies that this state tax is not a local tax rate nor is it considered to be a levy of a governmental unit.

A uniform levy rate will be certified to the county auditors by November 1 of each year by DOR. Within each county, the tax must be also be levied by a uniform rate.

Effective Date: Taxes payable 2002 and thereafter.

SS Chapter 5, Article 3, Section 44 State General Property Tax; Transmission and Distribution Lines

Amends M.S. 273.42 by adding subdivision 3

Provides that the portion of transmission and distribution power line value that is pooled within each county to fund credits for eligible landowners is subject to the statewide general property tax.

The new subdivision also states that the taxes collected will be distributed to the state, not the county.

Effective Date: Taxes payable in 2002 and thereafter.

**SS Chapter 5, Article 3, Section 45
State Levy for Bonded Debt;
Certification of Tax Rate**

Amends M.S. 275.02

This section provides that the current statutory authority for a state property tax for bonded debt is to be levied on the NTC of all taxable property in the state. Changes the date that the tax must be certified by the state auditor to each county auditor from November 15 to November 1.

Effective Date: The day following final enactment (July 1, 2001).

**SS Chapter 5, Article 3, Section 52
State General Property Tax; Tax
Lists**

Amends M.S. 275.28, subdivision 1

Requires the county auditor to enter both the state general property tax and the local property taxes on the tax lists. Specifies that the total ad valorem property tax for each parcel before credits is the sum of the various local taxes plus the amount of the state tax, if any.

Effective Date: Taxes payable in 2002 and thereafter.

**SUSTAINABLE FOREST
INCENTIVE ACT**

**SS Chapter 5, Article 8, Section 1
Auxiliary Forest Contract;
Cancellation**

Amends M.S. 88.49, subdivision 5

Provides landowners with an Auxiliary Forest contract the option to cancel their contract and transfer to the SFIA.

Previously, property enrolled under an Auxiliary Forest contract could, without penalty, transfer into the Tree Growth Tax Law, which is repealed effective payable 2003. (See Section 17 of Special Session Chapter 5, Article 8 on page 76.)

This option is dependent upon application to SFIA and the payment of a tax to the county that is equal to the difference based upon the number of years that the lands would have been taxed under the Tree Growth Law and SFIA. No further penalty is imposed for taking the property out of the Auxiliary Forest program.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

**SS Chapter 5, Article 8, Section 2
Auxiliary Forest Contract; Land
Trades**

Amends M.S. 88.49, subdivision 9a

Automatically qualifies land received from the government in a trade for inclusion in SFIA if the land that is traded is under an Auxiliary Forest Law contract.

Previously if an owner of land under an Auxiliary Forest contract traded for land owned by a governmental unit, the land received from the government automatically qualified for inclusion in the Tree Growth Tax program. This section just updates the language to reflect the repeal of the Tree Growth Tax Law.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 3 Auxiliary Forest Contract; Expiration

Amends M.S. 88.491, subdivision 2

Automatically qualifies land under an Auxiliary Forest contract for inclusion in the SFIA when the Auxiliary Forest contracts expire.

Also allows land under an Auxiliary Forest contract to be included in SFIA prior to the expiration of the contract, upon mutual agreement between the landowner and the county, provided that a tax is paid to the county that is equal to the difference based upon the number of years that the lands would have been taxed under the Tree Growth Law and SFIA.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 4 Refund; Definition

Amends M.S. 270A.03, subdivision 7

Adds payments from the SFIA program to the definition of "refund," which has the effect of making the SFIA incentive payments subject to revenue recapture.

Effective Date: For refunds in 2003 and thereafter.

SS Chapter 5, Article 8, Section 5 Sustainable Forest Incentive Act; Purpose

Adds M.S. 290C.01

States the purpose of the SFIA is to encourage the state's private forest landowners to make a long-term commitment to sustainable forest management.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 6 Sustainable Forest Incentive Act; Definitions

Adds M.S. 290C.02

Defines the following terms for the SFIA:

Approved Plan Writers

Natural resource professionals who are approved by the commissioner of DNR, including foresters certified by the Society of American Foresters, and assigned a unique identification number.

Claimant

An owner of forest land who files an application for the SFIA. Specifies that there can be only one claimant (and thus one payment) per parcel of land enrolled in SFIA.

Commissioner

Unless otherwise specified, the commissioner is the commissioner of DOR.

Current Use Value

Formula using the statewide average annual income per acre, multiplied by 90 percent and divided by the capitalization rate. The annual income is defined as a weighted average based on the most recent data on stumpage prices and tree growth rates.

Forest Land

Land containing at least 20 contiguous acres that has had a forest management plan done within the past ten years by an approved plan writer. At least 50 percent of the acreage must meet the definition of forest land found in M.S. 88.01, subdivision 7. Further defines the land to not include the following:

- agricultural or residential land;
- land enrolled in RIM, Green Acres, Agricultural Preserves, CRP, or CREP; and/or
- land improved with a structure, pavement, sewer, campsite or a road other than a township road used for purposes not prescribed in the forest management plan.

Forest Management Plan

A written document that provides a framework for a site-specific healthy

and sustainable forest. The commissioner of DNR will provide guidelines for plan content and for updating and revising plans. Plans must contain the following eight items:

- owner goals for the forest
- field inventory of cover types (plants and trees)
- description of soil
- aerial photo or map of the property including clearly marked borders
- proposed future conditions of the land
- prescriptions of how to meet the proposed future conditions (in accordance with timber harvesting and forest management guidelines)
- recommended timetable for implementing the prescribed activities
- legal description of the land.

Timber Harvesting and Forest Management Guidelines

The guidelines developed under M.S. 89A.05 and adopted by the Minnesota Forest Resources Council in 1998.

Capitalization Rate

A rate determined by the commissioner, which is the annual interest rate for St. Paul on new loans under the Farm Credit Bank system.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

**SS Chapter 5, Article 8, Section 7
Sustainable Forest Incentive Act;
Eligibility Requirements**

Adds M.S. 290C.03

Lists the requirements for eligibility for the SFIA. Land must be at least 20 contiguous forested acres that has a forest management plan and follows timber harvesting and forest management guidelines.

Furthermore the land must be enrolled in the program for at least eight years and no delinquent property taxes are owed on the property.

If a claimant enrolls more than 1,920 acres in the program, then year-round nonmotorized access to fish and wildlife resources on the land must be granted to the public. Access is not required:

- within ¼ mile of a permanent dwelling; and
- during periods of high fire hazard as determined by the commissioner of DNR.

States that such access does not extend any assurance that the land is safe nor does it confer upon the public the legal status of an invitee or licensee. Claimants providing public access do not assume responsibility or liability for injury to the public.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

**SS Chapter 5, Article 8, Section 8
Sustainable Forest Incentive Act;
Applications**

Adds M.S. 290C.04

States what is required for application. Prior to application to the program, a landowner must file a covenant with the county recorder's office that the land to be enrolled in the program is not and will not be developed in a manner inconsistent with the requirements of the program.

The covenant runs with the land (not the landowner) and lasts for at least eight years. The commissioner will release a landowner from the covenant if they are denied enrollment in the program.

All application proceedings are processed through DOR. County involvement will be limited to the recording of covenants and distributing applications for the program.

Grants the commissioner of DOR the power to prescribe the application for the program. Also lists what is required on an application, which includes the:

- Social Security Number, address and signature of the claimant;
- number of eligible acres;
- parcel identification number(s) for the acres;
- approved plan writer's signature and identification number; and
- proof of a recording of the covenant.

The commissioner of DOR is directed to notify all applicants of approval within 90 days. Allows claimants to appeal denial into the program.

Also states that Social Security Numbers, dates of births and any state or federal business tax registration numbers are private data but may be shared with county officials for purposes of revenue recapture and tax administration.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 9 Sustainable Forest Incentive Act; Certification

Adds M.S. 290C.05

States that a certification form will be mailed to each claimant in the program by July 1 of each year. Requires the claimant to sign the certification form, which verifies continued compliance with the conditions of the program.

Forms must be returned to DOR by August 15 to receive an incentive payment and continue participation in the program. Forms not returned by that date are subject to removal by the commissioner of DOR.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 10 Sustainable Forest Incentive Act; Calculation of Estimated Market Value

Adds M.S. 290C.06

Directs the commissioner to calculate a statewide average estimated market value per acre for class 2b timberland.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 11 Sustainable Forest Incentive Act; Certification

Adds M.S. 290C.07

Specifies the formulas used to calculate the incentive payment to claimants. The payment amount will be at least \$1.50 per acre enrolled.

The payment will equal the greater of:

- 1) the difference between the average tax paid for class 2b timberland valued at the statewide estimated market value and the tax paid on class 2b timberland valued using the current use value; or
- 2) 2/3 of the property tax on class 2b timberland valued at the estimated market value.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 12 Sustainable Forest Incentive Act; Annual Payment; Appropriation

Adds M.S. 290C.08

Requires that the incentive payment be paid to each claimant by October 1 of each year. Delinquent payments will include interest. If the commissioner accepts a certification form filed after the August 15 date, then the commissioner has 45 days from that day to mail the incentive payment.

Appropriates money from the general fund to the commissioner each year to make the incentive payments.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 13 Sustainable Forest Incentive Act; Removal

Adds M.S. 290C.09

Directs the commissioner to remove property from the program if taxes are delinquent on the property.

Provides the claimant of such property 60 days to pay the delinquent taxes in order to remain in the program. If taxes are not paid, the claimant is not entitled to any more payments and is subject to removal penalties specified in section 15 (see the next page).

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 14 Sustainable Forest Incentive Act; Withdrawal

Adds M.S. 290C.10

Outlines procedures for withdrawal from the program. Claimants may provide written notice of intent to withdraw after four years of enrollment. Withdrawal from the program becomes effective January 1 of the fifth calendar year that begins after receipt of the notice to withdraw (i.e. enrollment is for a minimum of eight years).

Within 90 days of the January 1 date, the commissioner will execute and mail a document to the claimant releasing the land from the covenant. The claimant can then record the release document at the county recorder's office and void the covenant.

Claimants withdrawing land from the program may not reenroll the same property for at least three years.

Grants the commissioner the power to release land from the program early in cases of condemnation for a public purpose.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

2001 Summary

L. New Property Tax Programs

SS Chapter 5, Article 8, Section 15 Sustainable Forest Incentive Act; Penalties

Adds M.S. 290C.11

Authorizes the commissioner to remove enrolled land from the program if the land is found to be in violation of the requirements of the program.

Gives the claimant 60 days to appeal the removal and gives the commissioner 60 to respond to such an appeal. Gives the claimant the option to appeal to the tax court if a response is not made to the appeal or if the commissioner denies the appeal.

Claimants of land removed from the program by the commissioner are subject to a penalty equal to the payments received from the program for the previous four years, plus interest. Gives the claimant 90 days to pay the penalty, otherwise the penalty will be turned over to the county auditor for collection as part of the property taxes owed on the land.

Effective Date: Taxes levied in 2002, payable in 2003, and thereafter.

SS Chapter 5, Article 8, Section 16 Sustainable Forest Incentive Act; Appropriation

Does not add or change existing statutes

Appropriates \$194,000 from the general fund to the commissioner for administering the program.

Effective Date: None listed so July 1, 2001.

SS Chapter 5, Article 8, Section 17 Repealer

Repeals M.S. 270.31 - 270.39

Repeals the Tree Growth Tax Law. Counties that currently have forested land enrolled in the Tree Growth Tax program will need to assess that land under ad valorem.

Effective Date: Taxes levied in 2002, payable in 2003 and thereafter.

M. REPEALED PROPERTY TAX LAWS

Chapter 50, Section 37 Repealer

Repeals: M.S. 508.71, 508A.22, subdivision 2; 508A.27; and 508A.351.

Repeals:

- prerequisites for filing condominium declaration bylaws, or amendments;
- examiners supplemental directive under CPT law;
- issuance of supplemental directive under CPT law where applicant's estate was transferred to another before the CPT issued; and
- required memorial on a CPT stating that the land is subject to the rights of persons in possession and subject to rights that would be disclosed by a survey.

Effective Date: None listed so August 1, 2001.

SS Chapter 5, Article 3, Section 96 Repealer

Repeals 126C.30; 126C.31; 126C.32; 126C.33; 126C.34; 126C.35; and 126C.36; 273.126; 273.13, subdivision 24a; 273.1382; 273.1399; 275.078; 275.08, subdivision 1e; 462A.071; 473.446, subdivisions 1a and 1b; 473.3915; Laws 1988, Chapter 426, Section 1; Laws 1988, Chapter 702, Section 16; Laws 1992, Chapter 511, Article 2, Section 52, as amended by Laws

1997, Chapter 231, Article 2, Section 50, and Laws 1998, Chapter 389, Article 3, Section 32; Laws 1996, Chapter 471, Article 8, Section 45; Laws 1999, Chapter 243, Article 6, Section 14; Laws 1999, Chapter 243, Article 6, Section 15; and Laws 2000, Chapter 490, Article 6, Section 17.

The following provisions that were replaced as part of tax reform are repealed effective taxes levied in 2001, payable in 2002, and thereafter and aids or credits payable in 2002 and thereafter:

- the transit zone personal property tax;
- EHC;
- TIF state aid reductions;
- authorization for tax rate increases;
- transit zone determination; and
- metropolitan transit area levy.

Repeals 12 watershed special laws made unnecessary by the proposed increase in general law for the maximum property tax levy. Effective for taxes levied in 2001, payable in 2002 and thereafter. (See Special Session Chapter 5, Article 3, Section 4 on page 18.)

Also repealed effective July 1, 2001, is the Education Finance Act of 1992, which was originally intended to replace the current state education finance system with a new education funding system but it was never developed.

The low-income housing program (class 4d) is repealed effective for taxes payable in 2004.

Effective Date: Various effective dates - see above.

**SS Chapter 5, Article 8, Section 17
Repealer**

Repeals M.S. 270.31 - 270.39

Repeals the Tree Growth Tax Law.

Effective Date: Taxes levied in 2002, payable in 2003 and thereafter.

**SS Chapter 5, Article 15, Section 41
Repealer**

Repeals M.S. 273.1399 and 469.1782, subdivision 1

Repeals both of the state aid offsets for new districts and for extensions of district duration limits. With the state takeover of the education levy, the state aid impact of TIF is minimal.

Effective Date: January 1, 2002

**SS Chapter 5, Article 20,
Section 24
Repealer**

Repeals M.S. 16A.1521

Repeals the property tax reform account.

Effective Date: The day following final enactment (July 1, 2001).

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