

MINNESOTA • REVENUE

Summary of 2002 Property Tax Laws

**Property Tax Division
August 2002**

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2002 Property Tax Summary

Letter from Director

August 8, 2002

The Property Tax Division of the Minnesota Department of Revenue is pleased to provide this summary of the law changes relating to property taxes during the 2002 legislative session.

The purpose of the *Summary of 2002 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 2002 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) 582-8566 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

ABBREVIATIONS

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

CFL	Children, Families and Learning Department of
DHS	Department of Human Services
DOC	Department of Corrections
DOR	Department of Revenue
DRA	Disparity Reduction Aid
EMV	Estimated Market Value
HACA	Homestead and Agricultural Credit Aid
H.F.	House File
HGA	House, Garage and first Acre
LGA	Local Government Aid
LMV	Limited Market Value
MCDA	Minneapolis Community Development Agency
M.S.	Minnesota Statutes
RIM	Reinvest in Minnesota
S.F.	Senate File
TIF	Tax Increment Financing
TNT	Truth in Taxation

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2002 Laws

2002 LAWS

The following is a list of laws that are included in this summary.

SUBJECT	HOUSE/ SENATE BILL NUMBER	CHAPTER NUMBER IN LAWS	DATE ENACTED
Steele County	H.F. 3074 / S.F. 2834	256	March 22, 2002
Polk County	H.F. 2652 / S.F. 2434	258	March 22, 2002
Carlton/Pine Counties	H.F. 2753 / S.F. 2590	263	March 22, 2002
Water Management Authority	H.F. 1763 / S.F. 1811	327	April 8, 2002
Tax Forfeited Property	H.F. 3025 / S.F. 2727	366	May 15, 2002
Omnibus Tax	H.F. 2498 / - -	377	May 18, 2002
Revisor's Corrections (first)	H.F. 3163 / S.F. 2792	379	May 21, 2002
Public Financing	H.F. 2836 / S.F. 2572	390	May 22, 2002
Baseball Park	H.F. 2214 / S.F. 1857	397	May 22, 2002
Revisor's Corrections (second)	H.F. 3410 / S.F. 2891	400	May 22, 2002
Anti-Terrorism	H.F. 2515 / - -	401	May 22, 2002
Property Conveyances	H.F. 2780 / S.F. 2541	403	May 22, 2002

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PROPERTY ASSESSMENT

ABATEMENTS

EXTENDED DURATION LIMIT Chapter 377, Article 7, Section 5

Amends M.S. 469.1813 by adding subdivision 6b

Allows local governments to grant property tax abatements for up to 20 years for qualified businesses. Previous law limited economic development abatements to 15 years.

"Qualified business" is defined as a business with at least 50 percent of its payroll payable to employees who are engaged in manufacturing, agricultural processing, mining, research and developing, warehousing, or one of eight different "high technology" activities. Detailed definitions of these activities can be found in the law.

Effective Date: This authority to grant new abatements expires on July 1, 2004.

HOMESTEADS

SPLIT-CLASS HOMESTEADS; LIMITATION Chapter 377, Article 4, Section 14

Amends M.S. 273.124, subdivision 11

Partially reinstates, and phases out, the former provision sometimes referred to as "borrowing," that allowed homestead benefits for split-class properties to "carry over" to the nonhomestead value of the property. Homestead benefits that could be carried over were limited to the greater of the value of the homestead portion or the dollar value of the first tier of the homestead

classification (i.e., \$76,000 for taxes payable in 2001).

This provision had been eliminated during the 2001 legislative session for taxes payable in 2002 when the first-tier value amount of the homestead classification increased to \$500,000.

This new change partially reinstates "borrowing" beginning with taxes payable in 2003 and then phases it out over three years. Please note that "borrowing" is still eliminated for taxes payable 2002.

Amends the amount of market value that is attributable to homestead in instances when property is classified as part homestead and part nonhomestead according to the following schedule:

- For taxes payable in 2003:
The market value attributed to the homestead portion is the greater of the actual market value of the homestead portion or \$60,000.
- For taxes payable in 2004:
The market value attributed to the homestead portion is the greater of the actual market value of the homestead portion or \$45,000.
- For taxes payable in 2005:
The market value attributed to the homestead portion is the greater of the actual market value of the homestead portion or \$30,000.

"Borrowing" is therefore eliminated for taxes payable in 2006 and thereafter.

Note: See the next listing on page 2 for another change to this statute.

Effective Date: July 1, 2002, and thereafter.

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SPLIT-CLASS PROPERTIES; HOMESTEAD VALUE

Chapter 400, Section 10

Amends M.S. 273.124, subdivision 11

Clarifies that the homestead value amount cannot exceed the taxable market value of the property in instances of “borrowing” for split-class properties. See the previous summary on page 1 for other changes to this statute.

Effective Date: July 1, 2002, and thereafter.

HOMESTEADED DUPLEXES AND TRIPLEXES

Chapter 377, Article 4, Section 16

Amends M.S. 273.13, subdivision 22

Clarifies that if an assessor has classified one of the units in a duplex or triplex as a homestead, then the entire property is to be classified as homestead property. Makes the law consistent with an interpretation of prior law to the same type of property.

Effective Date: Taxes payable in 2003 and thereafter.

RESIDENTIAL HOMESTEAD MARKET VALUE CREDIT; SPLIT-CLASS PROPERTIES

Chapter 377, Article 4, Section 18

Amends M.S. 273.1384, subdivision 1

Specifies that the residential homestead market value credit for property classified as part homestead and part nonhomestead applies only to the homestead portion of the property.

Effective Date: Taxes payable in 2003 and thereafter.

EXEMPTIONS

HYDROELECTRIC OR HYDROMECHANICAL POWER GENERATING PROPERTY

Chapter 377, Article 10, Section 4

Amends M.S. 272.02, subdivision 15

Technical correction. Amends the statutes so that the property tax exemption for property used for hydromechanical or hydroelectric power generations on a site owned by a federal, state or local governmental unit appears in only one place in the statutes. See the repealer on page 34.

Effective Date: Day following final enactment (May 18, 2002), and thereafter.

WIND ENERGY CONVERSION SYSTEM; EXEMPTION

Chapter 377, Article 4, Section 6

Amends M.S. 272.02, subdivision 22

Provides an exemption to real and personal property of a wind energy conversion system from property taxes except the land on which the property is located. That land remains taxable.

Under prior law, portions of medium-scale conversion systems and large-scale conversion systems were subject to real or personal property taxes.

Effective Date: Taxes payable in 2004 and thereafter. Note: The effective date listed in Chapter 377, Article 4, Section 6 is taxes payable in 2003. That effective date was amended later in Chapter 400, Section 9 to taxes payable in 2004 and thereafter.

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EXEMPT PROPERTY BASEBALL PARK Chapter 397, Section 1

Amends M.S. 272.02 by adding subdivision 50

Exempts real or personal property acquired, owned, leased, controlled, used, or occupied as a baseball park by a major league professional baseball team from taxation. However, the property is subject to special assessments.

For purposes of the property tax exemption the baseball park includes parking facilities and land necessary to and part of the use of the baseball park. This exemption expires one month after repayment of the bonds used to finance the baseball park.

Effective Date: The day following final enactment (May 18, 2002) until one month after repayment of the bonds issued to finance the ballpark.

ELECTRIC GENERATION FACILITY; WASECA COUNTY Chapter 377, Article 4, Section 7

Amends M.S. 272.02 by adding subdivision 51

Exempts attached machinery and other personal property that is part of a relatively small electric generation facility of between 43 and 46 megawatts of installed capacity. This exemption is intended for a facility in Waseca County.

Limits the exemption to the property of a facility that, at the time of construction, must:

- utilize a combined cycle gas turbine generator fueled by natural gas;
- be connected to an existing 115-kilovolt high-voltage electric transmission line that is within one mile of the facility;
- be located on an underground natural gas storage aquifer;
- be designed as an intermediate load facility; and

- have received, by resolution, the approval from the governing body of the county for the exemption of personal property.

Construction of the facility must be started after January 1, 2002, but before January 1, 2004. The exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property.

Effective Date: Assessment year 2002 and thereafter.

ELECTRIC GENERATION FACILITY; BELTRAMI COUNTY Chapter 377, Article 4, Section 8

Amends M.S. 272.02 by adding subdivision 52

Exempts attached machinery and other personal property that is part of a simple-cycle combustion-turbine electric generation facility of between 40 and 50 megawatts of installed capacity. This exemption is intended for a facility in Beltrami County.

Limits the exemption to the property of a facility that, at the time of construction, must:

- utilize natural gas as a primary fuel;
- be located within two miles of parallel existing 36-inch natural gas pipelines and a 115-kilovolt high voltage electric transmission line;
- be designed to provide peaking, emergency backup, or contingency services; and
- satisfy a resource deficiency identified in an approved integrated resource plan.

Construction of the facility must be started after January 1, 2001, but before January 1, 2005.

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

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Effective Date: Assessment year 2002 and thereafter.

ELECTRIC GENERATION FACILITY; MINNEAPOLIS Chapter 377, Article 4, Section 9

Amends M.S. 272.02 by adding subdivision 53

Exempts attached machinery and other personal property that is part of a relatively small run-of-the-river hydro-electric generation facility of 3.2 megawatts. This exemption is intended for the Crown Hydro facility in the city of Minneapolis.

Limits the exemption to the property of a facility that, at the time of construction, must:

- utilize two turbine generators at a dam site existing on March 31, 1994;
- be located on publicly owned land and within 1,500 feet of a 13.8 kilovolt distribution substation; and
- be eligible to receive a renewable energy production incentive payment.

Construction of the facility must be started after January 1, 2002, but before January 1, 2004. The exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property.

Effective Date: Assessment year 2002 and thereafter.

BIOMASS ELECTRIC GENERATION FACILITY; SHAKOPEE Chapter 377, Article 4, Section 10

Amends M.S. 272.02 by adding subdivision 54

Exempts attached machinery and other personal property that is part of a relatively small biomass electric generation facility capacity of less than 25 megawatts. This exemption is intended for a facility in the city of Shakopee in Scott County.

Limits the exemption to the property of a facility that, at the time of construction, must:

- provide process heating needs in addition to electrical generation; and
- utilize agricultural by-products from the malting process and other biomass fuels as its primary fuel source.

Construction of the facility must be started after January 1, 2002, but before January 1, 2006. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Effective Date: Assessment year 2003 and thereafter.

BIOMASS ELECTRIC GENERATION FACILITY; ST. LOUIS COUNTY Chapter 377, Article 4, Section 11

Amends M.S. 272.02 by adding subdivision 55

Exempts attached machinery and other personal property that is part of a relatively large electric generation facility capacity on an energy park (LTV Steel Mining Co.). This exemption is intended for a facility in St. Louis County.

Limits the exemption to the property of a facility that, at the time of construction, must:

- be located on an active or former mining or industrial site;
- be within the taconite tax relief area;
- have on-site access to existing railroad infrastructure;
- have direct rail access to a Great Lakes port;
- have sufficient private water resources on site; and
- be designed to host at least 500 megawatts of electric generation.

Construction of the first 250 megawatts of the facility must be started after January 1, 2002, but before January 1, 2005. Construction of up

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to an additional 750 megawatts of generation must be started before January 1, 2010.

Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Effective Date: Assessment year 2003 and thereafter.

BORDER CITY DEVELOPMENT ZONE Chapter 377, Article 7, Section 1

Amends M.S. 272.0212, subdivision 4

Expands the types of property that may qualify for a property tax exemption under the border city development zone law to include all property types except class 2. Previously only property classified 3 (commercial, industrial and public utility) and 5 (iron ore and other) were eligible for the exemption.

All class 2 property remains ineligible, including agricultural property, timberlands and the public access area of a privately owned public use airport.

Effective Date: Assessment year 2003 and thereafter.

PAYMENT IN LIEU OF PRODUCTION TAX; WIND GENERATION FACILITIES Chapter 377, Article 4, Section 12

Amends M.S. 272.028

Provides that developers of new or existing wind energy conversion systems may negotiate to make payments in lieu of the wind energy production tax in order to compensate the host jurisdiction (i.e. the county and city/town where the facility is located) for the costs to maintain public infrastructure and public services. Previously, the negotiated payments would be in lieu of property taxes on the system. (See the

summary of the next listing on the production tax.)

The developer makes the agreement with the county, and payments may be made to the county and the city or town in which the facility is located. A copy of the negotiated agreement must be filed with the county recorder and the commissioner of DOR. The exemption from the tax is effective for the same duration as the in lieu payments are in effect.

Effective Date: July 1, 2002 and thereafter.

WIND ENERGY PRODUCTION TAX Chapter 377, Article 4, Section 13

Adds M.S. 272.029

Imposes a tax on the production of electricity from wind energy conversion systems that were installed after January 1, 1991 and used as an electric power source.

Rates of tax are established based on the scale of the wind energy conversion system:

- A large-scale wind energy conversion system has a nameplate capacity of more than 12 megawatts and would pay .12 cents per kilowatt hour.
- A medium-scale system has a capacity between two and 12 megawatts and would pay .036 cents per kilowatt hour.
- A small-scale conversion system has a capacity of two megawatts or less and would pay .012 cents per kilowatt hour. However, conversion systems with a capacity of .25 megawatts or less and small-scale systems owned by a political subdivision are exempt from the production tax.

Also requires the owner of a wind energy conversion system subject to the production tax to file a report with the commissioner of DOR each year on or before March 1. The report must detail the amount of electricity that was

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produced by the system for the previous calendar year. The report must also contain the information required by the commissioner to determine the tax due to each county. If the required report is not filed, then the commissioner will determine the tax based upon the nameplate capacity of the system, multiplied by a capacity factor of 40 percent.

The production tax is payable in the year following the production to the county treasurer where the property is located. The tax is distributed as if it were a net tax capacity based property tax. The payment and collection of the tax is governed by the statutes that provide for the payment and collection of personal property taxes.

Effective Date: Energy produced by wind energy conversion systems after December 31, 2002.

WESTERN LAKE SUPERIOR SANITARY BOARD **Chapter 379, Article 1, Section 87**

Amends M.S. 458D.23

Makes a minor change to remove the word "sewer" from the Western Lake Superior Sanitary Board's title. This section provides an explicit exemption for property owned, leased, controlled, used, or occupied by the board.

Effective Date: None specified so August 1, 2002, and thereafter.

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PROPERTY CLASSIFICATION

CLASS 1: RESIDENTIAL PROPERTY

**HOMESTEAD; DUPLEXES AND TRIPLEXES
Chapter 377, Article 4, Section 16**

Amends M.S. 273.13, subdivision 22

Clarifies the current practice that if an assessor has classified one of the units in a duplex or triplex as a homestead, then the entire property is to be classified as homestead property (class 1).

Effective Date: Taxes payable in 2003 and thereafter.

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

**CLASS 3 DEFINITIONS
Chapter 377, Article 10, Section 6**

Amends M.S. 273.13, subdivision 24

Clarifies that within the definition of class 3 commercial properties, the limit of one first tier amount reduced rate per county applies only to the personal property of electric and pipeline systems.

Effective Date: Retroactively for taxes payable in 2002 and thereafter.

**CLASS 4: RENTAL AND SEASONAL
PROPERTY**

**CLASS 4; BED AND BREAKFASTS
Chapter 377, Article 4, Section 17**

Amends M.S. 273.13, subdivision 25, paragraph d, by adding clause 8

Establishes a new subclass of property within class 4 (class 4c(8)) with a preferential class rate for owner-occupied “bed and breakfast” type establishments.

In order to qualify for this new classification, the property must be residential real estate that contains a portion used as the homestead of the owner and a portion used for lodging with the following restrictions:

- rooms are generally rented to guests for 14 days or less;
- meals are provided as part of the room rate to guests who rent rooms;
- meals are not provided to the general public except for special events on fewer than seven (7) days in the calendar year preceding the year of assessment; and
- the owner is the operator of the property.

The class rate is 1.25 percent of market value (the same as apartments and rented single-family homes) and applies to only the first five rental units. Any units more than five must be valued and assessed as class 3a (commercial-industrial property) with a class rate of 1.50 percent or 2.00 percent, depending upon the value.

The portion of the property that is used for a homestead by the owner must be classified as class 1a (residential homestead) with a class rate of 1.00 percent or 1.25 percent, depending upon the value. See the class rate table on page 8.

Effective Date: Effective for assessment year 2002 and thereafter for taxes payable in 2003 and thereafter.

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CLASS RATE TABLE

PROPERTY TAX CLASS	TAX RATE PAY 2002	TAX RATE PAY 2003	SUBJECT TO STATE LEVY?
Residential Homestead (1a & 1d)			NO
Up to \$500,000	1.00%	1.00%	
Over \$500,000	1.25	1.25	
Disabled homestead up to \$32,000 (1b)	0.45	0.45	
Residential Non-Homestead			NO
Single unit (4bb):			
Up to \$500,000	1.00	1.00	
Over \$500,000	1.25	1.25	
2-3 units, undeveloped residential land, and unclassified manufactured homes (all 4b)	1.50	1.25	
Apartments			
Regular 4+ units (4a)*, including for profit hospitals	1.80	1.50*	
Low-income 4+ units (4d)	0.90	1.00	
Commercial-Industrial-Public Utility (3a)			YES
Up to \$150,000	1.50	1.50	
Over \$150,000	2.00	2.00	
Other public utility machinery	2.00	2.00	
Electric generating machinery	2.00	2.00	NO
Commercial SRR - Homestead Resorts (1c)	1.00	1.00	NO
Commercial SRR - Seasonal Resorts (4c(1))			YES
Up to \$500,000	1.00	1.00	
Over \$500,000	1.25	1.25	
Non-Commercial SRR - Cabins (4c(1))			YES
Up to \$500,000	1.00	1.00	
Over \$500,000	1.25	1.25	
Qualifying golf courses (4c(2))	1.25	1.25	NO
Nonprofit community service oriented organization (4c(3))	1.50	1.50	
Post Secondary Student Housing (4c(4))	1.00	1.00	
Manufactured Home Parks (4c(5))	1.50	1.25	
Bed and Breakfast - up to 5 units (4c(8))	NA	1.25	
Agricultural Homestead (2a)			NO
House, Garage and One Acre			
Up to \$500,000	1.00	1.00	
Over \$500,000	1.25	1.25	
Land and Buildings			
Up to \$600,000	0.55	0.55	
Over \$600,000	1.00	1.00	
Agricultural Non-Homestead and Timberland (2b)	1.00	1.00	
Miscellaneous and Iron Ore Property (5)	2.00	2.00	Only for iron ore

* For class 4a rental housing, four or more units, if the building is constructed after June 30, 2001, then the class rate is 1.25% for payable 2003.

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PROPERTY TAX LEVIES

OVERALL LEVY LIMITATIONS

SPECIAL LEVY; COURT ADMINISTRATION COSTS AND LOCAL POLICE OR SALARIED FIREFIGHTERS RELIEF ASSOCIATIONS
Chapter 377, Article 6, Section 5

Amends M.S. 275.70, subdivision 5

Makes two adjustments to special levies allowed outside of levy limits:

- 1) Modifies the existing special levy provision for court administration costs so that it is the net of the county's share of 2001 court fines and fee revenues.
- 2) Authorizes a levy to fund a local police or salaried firefighters relief association to the extent that the required amount exceeds the amount levied for this purpose in 2001.

Note: See the summary on page 13 for another change to this statute.

Effective Date: Taxes levied beginning in 2002.

LEVY LIMIT BASE ADJUSTMENTS
Chapter 377, Article 6, Section 6

Amends M.S. 275.71, subdivision 2

Increases the overall levy limitation for certain counties and cities that received Tree Growth Tax revenue. The Tree Growth Tax law was repealed during the 2001 legislative session effective beginning with taxes payable in 2003, leaving some affected cities and counties unable to make up the loss in revenue without an increase in their levy limits. For payable 2003, the levy limit base for the qualifying counties and

cities is increased by the amount of their 2001 revenues from the Tree Growth Tax.

For cities, only their levy limit base is increased by the amount of the manufactured home HACA they received in 2001 to compensate for the elimination of that aid beginning with aid payable in 2002.

Effective Date: Taxes payable in 2003.

ADJUSTMENTS FOR STATE TAKEOVERS
Chapter 377, Article 6, Section 7

Amends M.S. 275.71, subdivision 3

Increases the overall levy limitation for certain counties that had their limit reduced by their 2001 court administration costs budget to reflect the state's takeover of those costs.

The corrected reduction amount does not include the fine and fee revenues collected by district courts in the county for the same budget period.

This correction also affects the basis for the special levy that can be claimed for court administration costs. See the first summary on this page (Chapter 377, Article 6, Section 5) regarding a law change affecting the special levy.

Effective Date: Retroactively for taxes payable in 2002 and prospectively for taxes payable in 2003.

LEVIES IN EXCESS OF LIMITS
Chapter 377, Article 6, Section 8

Amends M.S. 275.71, subdivision 6

Requires levy limit adjustments for counties with an incorrect levy limit for taxes payable in 2002

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because of an error made by DOR in the administration of the special levy for the operating or maintenance costs of a county jail or correctional facility. The error was the failure to reduce the levy limit base of certain counties by the amount of their 2001 county jail operating costs.

This error occurred in eight counties and was not discovered until it was too late to reduce the spread levy. The eight counties affected are Benton, Cottonwood, Isanti, Kanabec, McLeod, Nicollet, Steele, and Winona.

The required adjustments include a re-computation of the limits for taxes payable in 2002 in order to have a correct starting point in computing the limits for taxes payable in 2003, and a reduction of the corrected limit for taxes payable in 2003 by the amount of the excess levy for taxes payable in 2002.

Per the law, the commissioner of DOR had to inform the affected counties of the levy error and levy adjustments by June 15, 2002. They were all notified by letter, dated May 22, 2002. Each county then has until July 15, 2002, to provide additional information to the commissioner indicating why the adjustments may be in error. The final levy adjustment is to be certified by the commissioner to the affected counties by August 1, 2002.

Each affected county may spread the reduction amount over a three-year period upon agreement with the commissioner of DOR.

Effective Date: Taxes levied in 2002, payable in 2003 only.

GENERAL PROVISIONS

POLICE AND FIREFIGHTERS RELIEF ASSOCIATION

Chapter 377, Article 6, Section 1

Amends M.S. 69.77 by adding subdivision 12

States that any property tax levies to fund required contributions for a local police or salaried firefighters relief association may not be reduced due to a general or special law, unless there is a specific provision to that effect.

Effective Date: None specified so July 1, 2002, and thereafter.

COUNTY LEVIES

EXPENDITURE OF ROAD AND BRIDGE LEVY; COOK COUNTY

Chapter 377, Article 4, Section 25

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that allows the Cook County Board of Commissioners to expend the proceeds of a road and bridge levy in any organized or unorganized township in the county. General law requires the proceeds of such levies to be expended for road and bridge purposes within the township from which the tax was derived or within an adjacent township upon petition by a majority of the first township's residents.

Effective Date: Upon local approval.

CITY LEVIES

CITY OF MOOREHEAD; TAX LEVY AUTHORIZED

Chapter 377, Article 11, Section 1

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified provision that authorizes the city of Moorehead to impose a property tax on all class 3a and 3b property (commercial-industrial,

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public utility and employment property) located in the city to pay for pre-existing TIF obligations.

Effective Date: Upon local approval.

SCHOOL DISTRICT LEVIES

INTEGRATION REVENUE; MINNEAPOLIS SCHOOL DISTRICT Chapter 377, Article 5, Section 1

Amends M.S. 124D.86, subdivision 3

Increases the integration revenue for Minneapolis School District No. 1 by \$35 per pupil unit (approximately \$1.9 million). The increase is provided entirely through a local property tax levy.

Effective Date: The day following final enactment (May 22, 2002) for revenue for fiscal year 2003.

SAFE SCHOOLS LEVY Chapter 377, Article 5, Section 4

Amends M.S. 126C.44

Renames the "crime-related costs" levy the "safe" schools levy and increases each school district's maximum "safe" schools levy amount from \$11 per adjusted marginal cost pupil unit to \$30 per pupil unit.

Effective Date: Taxes payable in 2003 and thereafter.

TREE GROWTH REPLACEMENT REVENUE; SCHOOL DISTRICTS Chapter 377, Article 6, Section 2

Adds M.S. 126C.445

Allows a school district to levy an additional amount not to exceed its payable 2001 Tree

Growth Tax revenues. The Tree Growth Tax law was repealed during the 2001 legislative session effective beginning with taxes payable in 2003, leaving some affected school districts unable to make up the loss in revenue without an increase in their levy limits.

Effective Date: Taxes levied in 2002, payable in 2003.

DISABLED ACCESS LEVY AUTHORITY; WESTBROOK-WALNUT GROVE Chapter 377, Article 5, Section 8

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that allows Independent School District No. 2898, Westbrook-Walnut Grove, to extend their disabled access levy authority over five or fewer years. Under general law there is an eight year time limit on levying for disabled access improvements. It is estimated that the district will levy \$100,000 in payable year 2003 and \$75,000 in payable year 2004 under this exemption.

Effective Date: The day following final enactment (May 18, 2002).

SCHOOL DISTRICT NET DEBT LIMIT; MINNEAPOLIS Chapter 377, Article 12, Section 15

Amends Laws 2001, First Special Session, Chapter 6, Article 5, Section 12 by adding subdivision 4

Requires the commissioner of CFL to adjust the net debt limit percentage for the Minneapolis School District (No. 1) to reflect the loss in net tax capacity caused by the class rate changes enacted in 2001.

Effective Date: Retroactively for bonds issued after July 1, 2001.

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DISABLED ACCESS LEVY AUTHORITY; PINE CITY

Chapter 377, Article 5, Section 9

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that allows Independent School District No. 578, Pine City, to extend their disabled access levy authority over five or fewer years. Under general law there is an eight-year time limit on levying for disabled access improvements. It is estimated that the district will levy \$39,000 in payable year 2003 and \$39,000 in payable year 2004 under this exemption.

Effective Date: The day following final enactment (May 18, 2002).

SPECIAL TAXING DISTRICT LEVIES

METROPOLITAN COUNCIL; DEFICIENCY TAX LEVIES

Chapter 401, Section 11

Amends M.S. 473.092, subdivision 5

Expands the levy authority of the Metropolitan Council. Under prior law, the council could levy a property tax if a metropolitan local government that used the nine-county regionwide public safety radio communication system failed to contribute its allocated share of the cost of implementing the first phase.

The council is now authorized to also levy for costs of implementing the second phase of the system.

Effective Date: None specified so July 1, 2002, and thereafter.

SOUTHWEST REGIONAL DEVELOPMENT COMMISSION; LEVY DEBT

Chapter 390, Section 22

Does not amend, repeal or add to existing Minnesota Statutes or Laws

An uncodified provision that authorizes the Southwest Regional Development Commission to levy in each year through 2010, for property taxes payable through 2011, an additional amount sufficient to retire its remaining debt in connection with the Prairie Expo project located in Worthington. The levy amount is not to exceed \$232,080 annually.

Also grants the commission the power to issue bonds to retire the debt sooner.

Effective Date: Upon local approval.

ANOKA COUNTY DEBT AUTHORITY

Chapter 390, Section 27

Does not amend, repeal or add to existing Minnesota Statutes or Laws

An uncodified provision that grants Anoka County the authority to incur debt by issuing bonds and notes to finance a public safety communication system. The county may also report the tax attributable to any levy to pay principal and interest on the bonds or notes as a separate line item on the notice of proposed property taxes and the property tax statement.

The authority to issue bonds and notes expires ten years after the first year in which the county issues a note or a bond.

Effective Date: The day following final enactment (May 22, 2002) without local approval.

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ECONOMIC DEVELOPMENT AUTHORITY; ESTABLISHMENT OF; ALEXANDRIA Chapter 390, Section 30

Does not amend, repeal or add to existing Minnesota Statutes or Laws

An uncodified provision that establishes the Lakes Area Economic Development Authority in Douglas County. Specifies that the authority is a public corporation and political subdivision of the state and states the requirements, duties and limitations on the board of commissioners governing the authority.

Effective Date: Upon local approval.

LIBRARY AGENCY; CITY OF SAINT PAUL Chapter 390, Section 36

Does not amend, repeal or add to existing Minnesota Statutes or Laws

An uncodified law that permits the city of Saint Paul to establish a library agency that may issue bonds. The city is allowed to levy for the agency.

Effective Date: Upon local approval.

Effective Date: None specified so August 1, 2002, and thereafter.

SPECIAL LEVY FOR NATURAL DISASTER COSTS Chapter 377, Article 10, Section 9

Amends M.S. 275.74, subdivision 2

Technical correction. Corrects two references to the clause that defines the special levy for natural disasters. The references were corrected to indicate clause (7) rather than clause (6).

Effective Date: Taxes payable in 2002 and 2003.

SPECIAL LEVIES

SPECIAL LEVY FOR COURT ADMINISTRATION COSTS Chapter 379, Article 1, Section 66

Amends M.S. 275.70, subdivision 5

Technical correction. Corrects an erroneous citation within clause (7) having to do with the special levy authorization for the costs of repairing the effects of a natural disaster.

Note: See the summary on page 9 for another change to this statute.

2002 Property Tax Law Summary

D

TAX INCREMENT FINANCING

GENERAL PROVISIONS

TAX INCREMENT POOLING; DEFICITS
Chapter 377, Article 7, Section 3

Amends M.S. 469.1763, subdivision 6

Provides that in determining whether a city may pool tax increments among its TIF districts to pay deficits in one district, the existence of a guarantee of obligations by the individual or entity that would receive the payment under the pooling provision does not provide a basis for denial of the authority to pool by the DOR.

In general, a deficit is an insufficiency of increments derived from taxes to pay current bond or contract payment obligations. A deficit condition in a TIF district within a city typically causes otherwise applicable "pooling" restrictions to be lifted. "Pooling" in this context means that increments derived from more than one TIF district are co-mingled to pay for activities in a single district, or a combination of districts.

See the next summary for another change to this statute.

Effective Date: For increments payable in 2002 and thereafter.

TAX INCREMENT POOLING; DEFICITS
Chapter 377, Article 9, Section 14

Amends M.S. 469.1763, subdivision 6

Clarifies that when increments from other TIF districts are pooled and used to eliminate a deficit, the available increments include amounts collected in prior years. See the previous summary for another change to this statute.

Effective Date: Retroactively to January 2, 2002, and thereafter to match the effective date of several other changes made to this statute by the 2001 Legislature.

SPECIAL DEFICIT AUTHORITIES; SCOPE
Chapter 377, Article 7, Section 4

Amends M.S. 469.1792, subdivision 1

Allows qualifying cities, towns and counties to implement certain special TIF deficit reduction authorities without first having to pool increments from other districts in an effort to eliminate or reduce deficits.

The special deficit reduction authorities are:

- using the current local tax rate to generate increments within the district, as opposed to using the tax rate in effect when the district was created; and
- making the required fiscal disparities contribution of increased commercial and industrial tax base from other properties in the jurisdiction.

Deficits for this purpose can generally be defined as an insufficiency of TIF increments generated within one district to pay for the existing bond or contract payment obligations related to activities within that district due to the property tax class rate changes or due to the reduction of property tax rates caused by the elimination of school district general education levies during the 2001 legislative session.

A technical change clarifies that definition. Pooling for this purpose can generally be defined as using TIF increments generated within one district to pay for activities related to another district or other districts.

Effective Date: For actions taken and resolutions approved after June 30, 2002.

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SPECIFIC DISTRICTS

HOUSING REPLACEMENT TIF; CREATION OF PROJECTS

Chapter 377, Article 7, Section 6

Amends Laws 1995, Chapter 264, Article 5, Section 45, subdivision 1, as amended by Laws 1996 and Laws 1997

Increases the parcel limit from 100 to 200 parcels for the housing replacement TIF district provision for the cities of Minneapolis, Saint Paul and Duluth.

Effective Date: None specified so July 1, 2002, and thereafter.

TIF DISTRICT; CITY OF ALBERT LEA

Chapter 377, Article 7, Section 7

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified provision allows the city of Albert Lea to create a redevelopment TIF district consisting of two defined, noncontiguous parcels exempt from the following restrictions in general law.

- Blight test. General law requires each non-contiguous part of a redevelopment TIF district to meet one of the law's "blight tests" (i.e., the rules that define the types of geographic areas that contain blighting conditions permit establishing these districts). This provision allows the city to create a redevelopment district consisting of two defined areas (a "redevelopment parcel" and a "reconstruction parcel"). Both areas would not be required to independently satisfy one of the blight tests. If the "redevelopment parcel" meets the basic blight test (i.e. 70 percent of the area of its parcels are occupied by buildings and 50 percent of the buildings are structurally substandard), then the entire district qualifies

as a redevelopment district, even though the percentage tests are not met for the overall district.

- Spending to cure blight. General law requires redevelopment districts to use 90 percent of their increment revenues for "the cost of correcting conditions that allowed designation of" the district (i.e., blight, such as the presence of structurally substandard buildings). Under this new law any amounts spent for site acquisition, preparation, or installing public utilities within the area of the district are deemed as satisfying the blight correction requirement.
- Five-year rule. The "Five-year rule" is extended to 10 years. Under general law, the five-year rule essentially requires development activity for a TIF district to be finished within five years after certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period. When these obligations are paid (or enough money has been collect to pay them), the district must be decertified.

Effective Date: Upon local approval.

TIF EXTENSION; CITY OF RUSHFORD

Chapter 377, Article 7, Section 8

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified provision that permits the city of Rushford to extend the duration of its downtown redevelopment TIF district by up to two additional years.

Effective Date: Upon local approval.

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TIF EXTENSION; MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY; EAST HENNEPIN AND UNIVERSITY Chapter 377, Article 7, Section 9

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified provision that allows the MCDA to extend the duration of the East Hennepin and University TIF district for a period of up to seven (7) years or until all amounts payable to developers and to the agency to reimburse the provision of a \$1.1 million loan from the city of Minneapolis "HOME" funds (to assist low-income housing) are repaid, whichever is shorter.

The extension is subject to several conditions:

- The district must terminate upon payment of specified amounts payable to developers and the MCDA.
- The maximum additional increments paid as a result of the extension may not exceed the amount of increments lost due to specified property tax reform law changes in 2001 as applied over the original duration of the district.
- Approval by the city council.

Effective Date: Upon local approval.

TIF EXTENSION; MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY; SOUTHEAST INDUSTRIAL AREA Chapter 377, Article 7, Section 10

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified provision that authorizes the MCDA to extend the duration of the Southeast Minneapolis Industrial Area Redevelopment Area Phase IV TIF district for up to six years.

The district must terminate, upon payment in full of the MCDA tax increment revenue note in the amount of \$1 million. The maximum amount of

increment may not exceed the loss in increment that resulted from the 2001 property tax reform over the district's term without the extension.

Effective Date: Upon local approval by the city, county, and school district.

TIF GRANT; MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY; WASHBURN-CROSBY MILL CITY MUSEUM Chapter 377, Article 7, Section 11

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified provision that directs the commissioner of DOR to pay \$2.6 million from the general fund to the MCDA for the Washburn-Crosby Mill City Museum project. The grant must be disbursed on July 1, 2002.

Effective Date: None specified so July 1, 2002.

TIF EXTENSION; DAKOTA COUNTY COMMUNITY DEVELOPMENT AUTHORITY; SOUTH ROBERT STREET Chapter 377, Article 7, Section 12

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified provision that permits Dakota County to extend the duration of its Community Development Agency South Robert Street redevelopment TIF district number 4 by up to five additional years.

The extension is subject to the condition that the maximum additional increments paid as a result of the extension may not exceed the amount of increments lost due to specified property tax reform law changes in 2001 as applied over the original duration of the district.

Effective Date: Upon local approval.

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E

PROPERTY TAX AIDS AND CREDITS

PROPERTY TAX AIDS

**CALCULATION OF STATE AID
Chapter 377, Article 10, Section 1**

Amends M.S. 69.021, subdivision 5

Repeals language requiring police state aid to include an amount equal to the self-insurance tax received in fiscal 2001 and replaces it with an annual amount of \$100,000.

In 2001, the automobile self-insurance tax was repealed for years beginning after December 31, 1999. Those tax proceeds went to police state aid. As part of the repeal, the legislature directed that each year DOR increase the apportionment to police state aid by an amount equal to the self-insurance tax received in fiscal 2001. Actual 1999 liabilities with one case under review totaled \$99,900.

Effective Date: Fiscal year 2003.

**SCHOOL DISTRICT REFERENDUM TAX
BASE REPLACEMENT AID
Chapter 377, Article 10, Section 2**

Amends M.S. 126C.17, subdivision 7a

Clarifies that referendum tax base replacement aid for schools is based on the same tax base exclusions that apply to school district referendum tax levies. In the case of seasonal recreational residential properties classified under class 4c(1), only the prior year referendum levy amounts applicable to the noncommercial properties (*i.e. private cabins*) are used in determining the new aid.

Effective Date: Retroactively for taxes payable in 2002 and thereafter.

**STATE AID TO SCHOOL DISTRICTS
Chapter 377, Article 10, Section 6**

Amends M.S. 273.1392

Restores language that instructs the commissioner of DOR to certify to CFL the Attached Machinery Aid amounts that school districts are paid by CFL. The language was inadvertently stricken in the 2001 Omnibus Tax Act.

Effective Date: Retroactively for aids and credits payable in 2002 and thereafter.

**HOMESTEAD AND AGRICULTURAL CREDIT
AID; TAX BASE DIFFERENTIAL
Chapter 377, Article 4, Section 20**

Amends M.S. 273.1398, subdivision 1a

Redefines the “tax base differential factor” used in the HACA formula for aids payable in 2003. This results in a permanent increase in the HACA base amount for three counties where public utility property constituted over 40 percent of the payable 2001 tax base. The increase is equal to 83 percent of the county tax revenues attributable to the reduced tax.

Generally, the amount of HACA for a county is computed as the amount paid in the prior year multiplied by a household growth factor plus a tax capacity adjustment and a fiscal disparity adjustment. The tax capacity adjustment is equal to the tax base differential times the local tax rate.

For counties where the sum of these net tax capacities exceeds 40 percent of the tax base (Clearwater, Kittson and Red Lake), the new definition of the tax base differential is the sum of:

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- 31 percent of the net tax capacity of the first \$150,000 of market value for public utility land and buildings;
- 34 percent of the net tax capacity of the market value over \$150,000 for public utility land and buildings; and
- 34 percent of the net tax capacity of public utility machinery and equipment.

The tax base differential is zero in all other counties. The computations are based on data from the 2000 abstract of assessment for taxes payable in 2001.

Effective Date: None specified so July 1, 2002 and thereafter.

HOMESTEAD AND AGRICULTURAL CREDIT AID Chapter 377, Article 4, Section 21

Amends M.S. 273.1398, subdivision 2

Clarifies that “current local tax rate” and “previous net tax capacity” for purposes of HACA are to be determined using tax capacities and tax rates in effect for taxes payable in 2001.

Effective Date: None specified so July 1, 2002 and thereafter.

DISPARITY REDUCTION AID Chapter 377, Article 6, Section 3

Amends M.S. 273.1398, subdivision 3

Increases DRA in locations where the total local tax rate for taxes payable in 2002 exceeded 135 percent of taxable net tax capacity. The increase is the lesser of:

- the amount needed to reduce the local tax rate to 135 percent; or
- the amount by which the payable 2002 DRA was reduced to less than 87 percent of the payable 2001 DRA.

Effective Date: For taxes payable in 2003 and thereafter.

HOMESTEAD AND AGRICULTURAL CREDIT AID; OUT-OF-HOME PLACEMENT COSTS Chapter 377, Article 6, Section 4

Amends M.S. 273.1398, subdivision 4d

Clarifies the out-of-home placement costs HACA reduction for counties aid payable in 2004.

The payable 2004 HACA reductions will be based on information certified to the commissioner of DOR in 2004. The reductions may not exceed the remaining HACA payable to the county in 2004, including the new rental housing tax base replacement aid component of HACA. The reductions are to be after subtractions that compensate for the state’s scheduled takeover of the majority of court funding.

Effective Date: Aids payable in 2004.

HOMESTEAD AND AGRICULTURAL CREDIT AID; COURT ADMINISTRATIVE COSTS Chapter 377, Article 10, Section 8

Amends M.S. 273.1398, subdivision 4c

Corrects references within the computation of additional HACA for a county in a judicial district that does not transfer its costs to the state by January 1 of 2004 or 2005.

This subdivision was originally added by the 2001 legislative session and the references were to nonexistent paragraphs within the statutes. The correct paragraphs are now referenced.

Effective Date: Retroactively to July 1, 2001 (the effective date of the 2001 Omnibus Tax Act) and thereafter.

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REIMBURSEMENTS TO COUNTIES FOR OUT-OF-HOME PLACEMENT COSTS; AID PAYMENTS

Chapter 377, Article 6, Section 10

Amends M.S. 477A.0123

Delays payment of aid by the commissioner of DOR to reimburse counties for certain out-of-home placement costs until 2004 (previously 2003).

Changes the start date from January 1, 2004 to January 1, 2003, for counties to report data that is needed to compute the individual aid amounts for each county to the commissioners of DHS and DOC. This change means that data from calendar year 2001 will be included.

Also clarifies the calculation of the maximum percent of reimbursement under this program.

Effective Date: None specified so July 1, 2002, and thereafter.

APPROPRIATION FOR OUT-OF-HOME PLACEMENT AID; APARTMENT TAX BASE REPLACEMENT AID

Chapter 377, Article 6, Section 11

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

Provides that if no percent increase is provided in law for the out-of-home placement aid program that the funding of the program will remain at the amount from the previous year.

Effective Date: Aids payable in 2004 and thereafter.

CITY AND COUNTY AID AMOUNT; APARTMENT TAX BASE REPLACEMENT AID

Chapter 377, Article 10, Section 28

Amends M.S. 477A.07, subdivision 1

Technical correction in the formula for determining apartment tax base replacement aid

for counties and cities for 2003 and 2004. The correction reflects the actual formula agreed to during the 2001 special legislative session.

Effective Date: Aid payable in 2003 and thereafter.

COUNTY HACA; APARTMENT TAX BASE REPLACEMENT AID

Chapter 377, Article 6, Section 12

Amends M.S. 477A.07, subdivision 2

Clarifies that the apartment tax base replacement aid amount is added to a county's HACA in payable 2003 and 2004 after the HACA household growth factor is applied to the previous year's HACA payment.

Effective Date: Aids payable in 2003 and thereafter.

CITY AID; APARTMENT TAX BASE REPLACEMENT AID

Chapter 377, Article 10, Section 29

Amends M.S. 477A.07, subdivision 3

Clarifies that when the apartment tax base replacement aid is added to a city's city aid base, the total allowed LGA for the city is also increased by the same amount.

Effective Date: Aids payable in calendar years 2003 and 2004.

PROPERTY TAX CREDITS

RESIDENTIAL HOMESTEAD MARKET VALUE CREDIT; SPLIT-CLASS PROPERTIES

Chapter 377, Article 4, Section 18

Amends M.S. 273.1384, subdivision 1

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Specifies that the residential homestead market value credit for property classified as part homestead and part nonhomestead applies only to the homestead portion of the property.

This is how the credit is currently being administered by DOR.

Effective Date: Taxes payable in 2003 and thereafter.

AGRICULTURAL HOMESTEAD MARKET VALUE CREDIT
Chapter 377, Article 4, Section 19

Amends M.S. 273.1384, subdivision 2

Increases the agricultural homestead market value credit from 0.2 percent of the first \$115,000 of the property's market value to 0.3 percent. Also increases the maximum credit amount to \$345 from \$230 for each agricultural homestead.

Please note that the agricultural homestead market value credit only applies to the land and farm buildings, *exclusive of the HGA*. The HGA is eligible for the residential homestead market value credit.

In addition, a new provision reduces the credit for each agricultural homestead that exceeds \$115,000 of market value. The credit amount is reduced by .05 percent, up to a maximum reduction of \$115. Properties valued at \$345,000 and above will receive a credit of \$230.

The table in the next column illustrates the reduction effect for values over \$115,000.

Total Market Value of Land	Discount of 0.05%	Max credit (\$345) minus discount
\$ 115,000	NA	\$ 345.00
\$ 125,000	\$ 5	\$ 340.00
\$ 150,000	\$ 18	\$ 327.50
\$ 175,000	\$ 30	\$ 315.00
\$ 200,000	\$ 43	\$ 302.50
\$ 225,000	\$ 55	\$ 290.00
\$ 250,000	\$ 68	\$ 277.50
\$ 275,000	\$ 80	\$ 265.00
\$ 300,000	\$ 93	\$ 252.50
\$ 325,000	\$ 105	\$ 240.00
\$ 330,000	\$ 108	\$ 237.50
\$ 335,000	\$ 110	\$ 235.00
\$ 340,000	\$ 113	\$ 232.50
\$ 345,000	\$ 115	\$ 230.00
\$ 350,000		\$ 230.00
\$ 400,000		\$ 230.00

Effective Date: Taxes payable in 2003 and thereafter.

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F

LOCAL GOVERNMENT AID

CITY NET TAX CAPACITY
Chapter 377, Article 10, Section 26

Amends M.S. 477A.011, subdivision 20

Clarifies that class rates in effect for taxes payable in the year of the local government aid distribution are to be used in computing a city's "net tax capacity" as that figure is used in the local government aid formula.

Effective Date: Payable in 2002 and thereafter.

CITY AID BASE
Chapter 377, Article 6, Section 9

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

Makes three changes to language defining "city aid base" for purposes of LGA:

1. Makes a minor change in paragraph (a) so that the definition of "city aid base" is valid for the entire subdivision rather than individual paragraphs in the subdivision.
2. Amends the year in paragraph (g) to correspond with previous legislation that delayed from 2002 to 2004 the elimination of the separate payment of existing low-income housing aid and the inclusion of that aid in each city's city aid base for determining local government aid.
3. Adds paragraph (r), which provides a permanent increase of \$200,000 to the city of Hermantown's city aid base. When city HACA payments were eliminated in 2002, an extra payment made to Hermantown to offset some county tax rate disparities was also unintentionally eliminated.

Effective Date: Aid payable in 2002 and thereafter except the last change dealing with

Hermantown is effective beginning with aid payable in 2003.

CITY AID DISTRIBUTION
Chapter 377, Article 10, Section 27

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

Limits the total 2002 LGA for any city, except a first class city, to the sum of:

- 40 percent of its payable 2001 net levy
plus
- 40 percent of its payable 2001 HACA
plus
- all of its 2001 LGA.

Also removes several references to repealed and obsolete statutes.

Effective Date: Aid payable in 2002 and thereafter.

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G

TRUTH IN TAXATION

MARKET VALUE NOTICES

MARKET VALUE NOTICE
Chapter 377, Article 10, Section 5

Amends M.S. 273.121

Technical correction. Corrects a requirement that a notation be included on a market value notice when a homesteaded property is old enough to qualify for a valuation exclusion commonly referred to as the “This Old House” program.

The correct requirement is that the homesteaded property must be at least 45 years old, rather than at least 35 years old.

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

PROPOSED PROPERTY TAXES NOTICES

NOTICE OF PROPOSED PROPERTY TAXES
Chapter 377, Article 4, Section 22

Amends M.S. 275.065, subdivision 3

Makes minor word substitutions regarding what items must be contained on a notice of proposed property taxes, commonly referred to as the “Truth in Taxation” or “TNT” notice. These word substitutions simply update references.

Substitutes “state general tax” for “the state determined portion of the school district levy” several times. In addition, “residential and agricultural homestead credit” is substituted for the outdated “education homestead credit” that was eliminated during the 2001 legislative session.

Also requires that if the county levies for a lake improvement district, the amount attributable for that purpose must be itemized separately from the remaining county levy amount on the TNT notice. Previously, the lake improvement levy amount was included as part of the total county levy amount.

A similar requirement for property tax statements also became law, see the following page.

Effective Date: Notices prepared in 2002 for taxes payable in 2003 and thereafter.

NOTICE OF PROPOSED PROPERTY TAXES
Chapter 390, Section 2

Amends M.S. 275.065, subdivision 3

Adds a separate requirement for notice of proposed property taxes (commonly referred to as “the “Truth in Taxation” or “TNT” notices) for the city of Saint. Paul. Requires that the levy for the Saint. Paul library agency must be listed separately from the remaining amount of the city’s levy.

Effective Date: For notices prepared the day following final enactment (May 22, 2002) i.e. notices prepared in 2002 for taxes payable in 2003 and thereafter.

H

PROPERTY TAX COLLECTION AND DISTRIBUTION

PROPERTY TAX STATEMENTS

**PROPERTY TAX STATEMENTS;
MANUFACTURED HOMES
Chapter 377, Article 4, Section 15**

Amends M.S. 273.125, subdivision 3

Requires property tax statements for manufactured homes to include a sentence notifying the taxpayer that title to the manufactured home may not be transferred unless property taxes are paid. See page 33 for a summary of the new law concerning titles of manufactured homes.

Effective Date: Tax statements issued in 2003 and thereafter.

**PROPERTY TAX STATEMENTS; LAKE
IMPROVEMENT DISTRICT
Chapter 377, Article 4, Section 23**

Amends M.S. 276.04, subdivision 2

Requires that if the county levies for a lake improvement district, the amount attributable for that purpose must be itemized separately from the remaining county levy amount on the property tax statements. Previously, the lake improvement levy amount was included as part of the total county levy amount.

A similar requirement for Proposed Property Tax Notices (TNT Notices) also became law, see page 22.

Effective Date: For property tax statements prepared in 2003 and thereafter.

**PUBLIC SAFETY COMMUNICATION
SYSTEM; COUNTY DEBT AUTHORITY
Chapter 401, Section 2**

Amends M.S. 373.47

Authorizes specified counties to incur debt to finance the cost of designing, constructing, and acquiring a public safety communication system infrastructure and equipment for use on the statewide, shared public safety radio system.

Also allows the authorized counties to report the tax attributable to the levy to pay principal and interest on bonds or notes as a separate line item on property tax statements. The levy to pay principal and interest on the notes or bonds is exempt from the limits on the amount or rate of tax imposed under any other provision of law.

Effective Date: The day following final enactment (May 22, 2002).

PROPERTY TAX COLLECTION

**DUE DATE; AGRICULTURAL PROPERTY
Chapter 377, Article 9, Section 5**

Amends M.S. 279.01, subdivision 3

Provides that all split-class parcels that are classified as part agricultural and part non-agricultural have a second half property tax due date of November 15 instead of October 15.

Previously, the due date was November 15 only if at least 50 percent of the parcel's market value is classified agricultural. When the split is close to 50/50, the due date for the parcel could change from year to year due to market value

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fluctuations. The change should simplify payment obligations for taxpayers.

Effective Date: For taxes payable in 2003 and thereafter.

PROPERTY TAXES PAYABLE **Chapter 379, Article 1, Section 67**

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

Technical correction regarding the property tax refund law involving the definition of "property taxes payable." Replaces an obsolete reference for the education homestead and agricultural credits that were repealed in 2001 with the correct reference for the residential and agricultural market value credits that replaced them.

Effective Date: None specified so August 1, 2002, and thereafter.

TRANSFER OF ART PARK PROPERTY; PAYMENT OF DEFERRED TAXES **Chapter 377, Article 4, Section 24**

Amends Laws 1998, Chapter 389, Article 3, Section 42

Delays the deadline for transferring ownership of art park property for five years (from 2002 to 2007), without precipitating recapture of deferred property taxes. This change in law was designed for the Caponi Art Park, located in Eagan (Dakota County) but could also apply to a qualifying art park located in counties adjacent to Hennepin or Ramsey counties.

Modifies the requirement that the property will not be subject to deferred taxes if it is conveyed to a nonprofit foundation or corporation that "operates" the art park. Previously, the law required that the nonprofit foundation or corporation must be "created to own and operate" the park.

Also redefines "nonprofit foundation or corporation" for this purpose to mean a nonprofit entity as defined under section 501 (c)(3) of the Internal Revenue Code that is operating the art park rather than a nonprofit entity that was "created to own and operate" an art park.

An addition to the law requires that the deferred taxes be paid if the charitable organization ceases to provide art-related activities to the public and students prior to 10 years after acquiring the property. There was no similar provision previously.

Effective Date: The day following final enactment (May 18, 2002) and thereafter.

2002 Property Tax Law Summary

I

PROPERTY TAX REFUNDS

DEFINITION OF INCOME

Chapter 377, Article 10, Section 17

Amends M.S. 290A.03, subdivision 3

Clarifies that the definition of income used for computing the property tax refund does not include restitution and damages received by victims of the World War II Holocaust.

Holocaust restitution and damages became exempt or nontaxable income for the purposes of federal adjusted gross income under 2001 federal tax legislation, but without this change it would be included in the income measure for the property tax refund.

Effective Date: For refunds based on gross property taxes payable in 2002.

TARGETED REFUNDS

Chapter 377, Article 10, Section 18

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

Clarifies that the changes made in 2001 to the “targeted” property tax refund (the refund that is given to taxpayers who have a substantial increase in property taxes on homestead property) are effective beginning with refunds payable in 2002.

Effective Date: Refunds payable in 2002.

2002 Property Tax Law Summary

J

TAX FORFEITED LAND

SALE OR CONVEYANCE

**TRANSFER OF DRAINAGE SYSTEM
Chapter 327, Section 3**

Amends M.S. 103E.812

Defines the county to be the "resident owner" of all unsold tax-forfeited lands held by the state for purposes of a petition to transfer a public water drainage system from the jurisdiction of a drainage authority to a water management organization the county is deemed to be the "resident owner" of all unsold tax-forfeited lands held by the state

Effective Date: None specified so July 1, 2002, and thereafter.

**LAND ON OR ADJACENT TO PUBLIC WATERS
Chapter 366, Section 4**

Amends M.S. 282.018, subdivision 1

Allows public sale of tax forfeited lands bordering on public waters without special legislation if the parcel has 150 feet or less of waterfront. Formerly, the allowance for sale of tax forfeited lands bordering on public waters without special legislation applied to parcels with 50 feet or less of waterfront.

Effective Date: None specified so July 1, 2002, and thereafter.

**PUBLIC SALE; DOUGLAS COUNTY
Chapter 366, Section 13**

Does not amend, repeal or add to Minnesota Statutes or Laws

An uncodified provision that allows Douglas County to publicly sell specified tax forfeited property bordering public waters provided the conveyance is in a form approved by the state attorney general (which is standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective Date: None specified so July 1, 2002, and thereafter.

**PUBLIC SALE; MEEKER COUNTY
Chapter 366, Section 17**

Does not amend, repeal or add to Minnesota Statutes or Laws

An uncodified provision that allows Meeker County to publicly sell specified tax forfeited property bordering public waters provided the conveyance is in a form approved by the state attorney general (which is standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective Date: None specified so July 1, 2002, and thereafter.

**PRIVATE SALE; RAMSEY COUNTY
Chapter 366, Section 20**

Does not amend, repeal or add to Minnesota Statutes or Laws

An uncodified provision that allows Ramsey County to privately sell specified tax forfeited property to the city of Mounds View, provided the conveyance is in a form approved by the state attorney general (which is standard practice), and the county decides that the sale is in the best interests of the county's land management.

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Effective Date: None specified so July 1, 2002, and thereafter.

PRIVATE SALE; ST. LOUIS COUNTY Chapter 366, Section 23

Does not amend, repeal or add to Minnesota Statutes or Laws

An uncodified provision that allows St. Louis County to privately sell specified tax forfeited property bordering public waters provided the conveyance is in a form approved by the state attorney general (which is standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective Date: None specified so July 1, 2002, and thereafter.

PUBLIC SALE; ST. LOUIS COUNTY Chapter 366, Section 24

Does not amend, repeal or add to Minnesota Statutes or Laws

An uncodified provision that allows St. Louis County to publicly sell specified tax forfeited property bordering public waters provided the conveyance is in a form approved by the state attorney general (which is standard practice), and the county decides that the sale is in the best interests of the county's land management. Some of the land is subject to certain restrictions to protect the environment and wildlife.

Effective Date: None specified so July 1, 2002, and thereafter.

PRIVATE SALE; ST. LOUIS COUNTY Chapter 366, Section 25

Does not amend, repeal or add to Minnesota Statutes or Laws

An uncodified provision that allows St. Louis County to privately sell specified tax forfeited

property bordering public waters provided the conveyance is in a form approved by the state attorney general (which is standard practice).

Effective Date: None specified so July 1, 2002, and thereafter.

PRIVATE SALE; WASHINGTON COUNTY Chapter 366, Section 28

Does not amend, repeal or add to Minnesota Statutes or Laws

An uncodified provision that allows Washington County to privately sell specified tax forfeited property provided the conveyance is in a form approved by the state attorney general (which is standard practice), and the county decides that the sale is necessary to correct an inadvertent forfeiture due to an error in transferring the property by the previous owner.

Effective Date: None specified so July 1, 2002, and thereafter.

PROCEEDS FROM SALES OF TAX FORFEITED PROPERTY

PROMOTION OF TOURIST, AGRICULTURAL AND INDUSTRIAL DEVELOPMENT; ITASCA COUNTY

Chapter 390, Section 20

Amends Laws 1965, Chapter 326, Section 1, subdivision 5, as amended by Laws 1975, Chapter 110, Section 1, Laws 1985, Chapter 87, Section 3, and Laws 1998, Chapter 389, Article 11, Section 11

Allows Itasca County to annually spend up to \$10 per capita of the county's population from their portion of the proceeds from tax-forfeited land to promote tourist, agricultural and industrial development. Under prior law the limit was \$4 per capita.

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Effective Date: The day following final enactment (May 22, 2002).

Effective Date: Upon local approval.

PROMOTION OF TOURIST, AGRICULTURAL AND INDUSTRIAL DEVELOPMENT; KOOCHICHING COUNTY Chapter 390, Section 21

Amends Laws 1967, Chapter 170, Section 1, subdivision 5, as amended by Laws 1985, Chapter 87, Section 6, and Laws 1998, Chapter 389, Article 11, Section 12

Allows Koochiching County to annually spend up to \$10 per capita of the county's population from their portion of the proceeds from tax-forfeited land to promote tourist, agricultural and industrial development. Under prior law the limit was \$4 per capita.

Effective Date: The day following final enactment (May 22, 2002).

PROCEEDS OF FORFEITED LANDS; ST. LOUIS COUNTY Chapter 390, Section 39

Does not amend, repeal or add to Minnesota Statutes or Laws

An uncodified law that allows St. Louis County to annually, by resolution, allocate the balance in the county's forfeited tax sale fund for the following purposes:

- (1) up to 30 percent for timber development on tax-forfeited land; and
- (2) no more than 20 percent percent for county parks or recreational areas, land use planning programs, including up to \$4 per capita of the county's population for tourist, agricultural and economic development.

Any balance is apportioned 40 percent to the county, 40 percent to the school district and 20 percent to the town or city.

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2002 Property Tax Law Summary

K

MISCELLANEOUS

COUNTY PERSONNEL

STEELE COUNTY; RECORDER Chapter 256, Section 1

An uncodified provision that allows the Steele County Board of Commissioners to fill the county recorder position by appointment, rather than by election. The current incumbent must finish the term.

Also specifies certain resolution publication and public comment requirements as well as providing for a reverse referendum.

Effective Date: Upon local approval.

POLK COUNTY; RECORDER AND AUDITOR- TREASURER Chapter 258, Section 1

Does not amend, add to or repeal Minnesota Statutes or Laws

An uncodified provision that allows the Polk County Board of Commissioners to fill the county recorder and the county auditor-treasurer positions by appointment, rather than by election. The current incumbents must finish their terms.

Also specifies certain resolution publication and public comment requirements as well as providing for a reverse referendum.

Effective Date: Upon local approval.

CARLTON COUNTY; RECORDER Chapter 263, Section 1

Does not amend, add to or repeal Minnesota Statutes or Laws

An uncodified provision that allows the Carlton County Board of Commissioners to fill the county recorder position by appointment, rather than by election. Requires a public hearing to be held prior to the board's decision to make the county recorder position appointed.

Effective Date: Upon local approval.

PINE COUNTY; RECORDER Chapter 263, Section 5

Does not amend, add to or repeal Minnesota Statutes or Laws

An uncodified provision that allows the Pine County Board of Commissioners to fill the county recorder position by appointment rather than by election. Also allows the county to reorganize and combine the offices of the county recorder and county assessor. The incumbent county recorder must finish their term. Requires a public hearing to be held prior to the board's decision to make the county recorder position appointed.

Also specifies certain resolution, publication and public comment requirements, as well as providing for a reverse referendum.

Effective Date: Upon local approval.

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EMINENT DOMAIN

EMINENT DOMAIN PROCEEDINGS Chapter 390, Section 1

Amends M.S. 117.075

Eliminates the requirement that commissioners appointed to make determinations in eminent domain proceedings must be residents of the county.

Effective Date: The day following final enactment (May 22, 2002).

HOUSING REDEVELOPMENT AUTHORITY; POWERS Chapter 390, Section 6

Amends M.S. 469.012

Requires that prior to adoption of a resolution authorizing acquisition of property under the eminent domain law, the governing body of the authority must hold a public hearing on the acquisition after published notice.

The notice must reasonably describe the property to be acquired and state that the purpose of the hearing is to consider exercising the powers of eminent domain. The notice of the hearing must also be mailed to the owner of each parcel proposed to be acquired at least 10 days in advance of the hearing, but failure to mail the notice or any defects in the notice does not invalidate the acquisition.

Effective Date: The day following final enactment (May 22, 2002).

GENERAL PROVISIONS

FILING OF LIENS Chapter 377, Article 10, Section 3

Amends M.S. 270.69, subdivision 2

Contains two changes:

1) Clarifies that recorded tax liens have priority over unrecorded interests in real estate to the same extent that judgments and attachments have priority over such interests under the Minnesota Recording Act.

2) Also clarifies that the only place to file tax liens against personal property is with the Secretary of State, to conform to the newly revised Uniform Commercial Code.

Effective Date: The first change is effective for tax liens already of record and for tax liens filed on or after the day following final enactment. The second change regarding personal property is effective for tax liens filed on or after the day following final enactment (May 18, 2002).

ABSTRACT OF TAX LISTS; AUDITOR DUTIES Chapter 379, Article 1, Section 65

Amends M.S. 275.28, subdivision 1

Technical correction. Removes an incorrect reference in the provision of law directing what the county auditor must enter on the abstract of tax lists.

Effective Date: None specified so August 1, 2002.

COUNTY CONVEYANCES VALIDATED Chapter 403, Section 3

Amends M.S. 507.422

Provides that a deed of conveyance that has been on record with the county recorder or registrar of titles for over five years is valid even if the required advertising and public hearing were omitted at the time of conveyance.

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Previously, a county had to advertise and hold a public hearing before conveying real property, without exception.

Effective Date: The day following final enactment (May 22, 2002) and applies to all conveyances of real estate made by counties executed before, on, or after the effective date. However, this change in law does not affect an action or proceeding involving the validity of a conveyance from a county if:

- (1) the action or proceeding is pending as of the effective date or is commenced before February 1, 2003; and
- (2) a notice of the pendency of the action or proceeding is recorded or filed before February 1, 2003, in the office of the county recorder or registrar of titles of the county in which the property affected by the action or proceeding is located.

LIMITED MARKET VALUE REPORT TO LEGISLATURE

Chapter 377, Article 10, Section 30

Amends Laws 1993, Chapter 375, Article 5, Section 42

Changes the date that the Limited Market Value report is due from the commissioner of DOR to the state legislature from February 1 to March 1 of each year.

Effective Date: None specified so August 1, 2002.

MORTGAGE REGISTRY TAX

MORTGAGE REGISTRY TAX; HENNEPIN COUNTY

Chapter 390, Section 3

Amends M.S. 383A.80, subdivision 4

Extends Hennepin County mortgage registry and deed taxes, which fund the Environmental Response Fund, for five additional years. The authority to impose the tax now expires on January 1, 2008. This tax had been scheduled to expire January 1, 2003.

These taxes equal 0.01 percent of the principal amount (for the mortgage registry tax) and deed amount (for the deed tax).

Effective Date: The day following final enactment (May 22, 2002).

MORTGAGE REGISTRY TAX; RAMSEY COUNTY

Chapter 390, Section 4

Amends M.S. 383B.80, subdivision 4

Extends the authority for Ramsey County to impose mortgage registry and deed taxes for five additional years. The authority to impose the tax now expires on January 1, 2008. Ramsey County has not exercised this authority, but this tax had been scheduled to expire January 1, 2003.

These taxes equal 0.01 percent of the principal amount (for the mortgage registry tax) and deed amount (for the deed tax).

Effective Date: The day following final enactment (May 22, 2002).

PUBLIC UTILITY RATES

ELECTRIC UTILITY RATE REDUCTION; MANDATORY

Chapter 377, Article 4, Section 3

Amends M.S. 216B.1646

Amends the section to make the following clarifications:

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- The mandatory rate reductions as enacted by the 2001 legislature are related to personal property tax reductions for taxes payable in 2002 for electric utility company generation machinery.
- The mandatory rate reductions are ongoing.
- A utility has the option to voluntarily pass on additional property tax savings related to personal property tax reductions for taxes payable in 2002 in excess of those required. (See the next summary on the next page for another change to this statute.)

Effective Date: Retroactive to July 1, 2001, and thereafter.

ELECTRIC UTILITY RATE REDUCTION; VOLUNTARY Chapter 400, Section 12

Amends M.S. 216B.1646

Requires that any voluntary electric utility rate reductions be allocated among customers in the same manner as the mandatory rate reductions that are approved by the Public Utilities Commissioner. (See the previous summary on the previous page for another change to this statute.)

Effective Date: Retroactive to July 1, 2001 and thereafter.

TAX COURT

TAX COURT JURISDICTION; SMALL CLAIMS DIVISION Chapter 377, Article 4, Section 4

Amends M.S. 271.01, subdivision 5

Clarifies changes that were made during the 2001 legislative session to expand the jurisdiction of the small claims division of Tax Court so this subdivision is now consistent with

subdivision 2 of section 271.21 (the summary of which is provided below).

Effective Date: Retroactively for petitions filed pertaining to the 2002 assessment and thereafter.

TAX COURT JURISDICTION; SMALL CLAIMS DIVISION

Chapter 377, Article 4, Section 5

Amends M.S. 271.21, subdivision 2

Clarifies the expanded jurisdiction of the small claims division of Tax Court. States that appeals involving the valuation, assessment or taxation of real or personal property are allowed in the small claims division if the appeal involves any of the following:

- the denial of a current year homestead application;
- a single parcel containing one residential homestead (class 1a or 1b) dwelling unit;
- the entire property is classified as an agricultural homestead (class 2a or 1b);
- property of any class having an estimated market value of less than \$300,000, as determined by the assessor; or
- any other case in which the amount in controversy does not exceed \$5,000, including penalty and interest.

Effective Date: Retroactively for petitions filed pertaining to the 2002 assessment and thereafter.

PETITIONS OF GRIEVANCES; MANUFACTURED HOMES Chapter 377, Article 9, Section 3

Amends M.S. 273.125, subdivision 5

Changes the filing deadline for contesting a property tax assessment for manufactured homes assessed as personal property from September 1 to October 1 of the year in which the tax becomes payable. This date change is

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only for petitions from taxpayers who claim that their manufactured homes have been unfairly, unequally or inaccurately assessed or taxed.

Effective Date: Taxes payable in 2003 and thereafter.

DETERMINATION OF VALIDITY OF PROPERTY TAX ASSESSMENTS Chapter 377, Article 9, Section 4

Amends M.S. 278.01, subdivision 1

Alters the filing deadline for persons contesting property taxes in district court. The deadline for all property except for manufactured homes assessed as personal property was changed from on or before March 31 to on or before April 30 of the year in which the tax becomes payable.

Also alters the deadline for filing an appeal with Tax Court from April 1 to May 1 of the year in which the taxes are payable.

Effective Date: Taxes payable in 2003 and thereafter.

TITLES TO PROPERTY

MANUFACTURED HOME TITLES; PROPERTY TAXES MUST BE PAID Chapter 377, Article 4, Section 1

Amends M.S. 168A.05 by adding subdivision 1a

Requires all manufactured homes to have a statement from the county auditor or county treasurer certifying that all personal property taxes have been paid before the registrar of motor vehicles can issue a certificate of title.

The statement must come from the auditor or treasurer of the county where the manufactured home is presently located. (See the following summary for M.S. 168A.05, subdivision 1b, on this page for an exception to this requirement.)

Effective Date: For certificates of title issued by the registrar of motor vehicles on or after July 1, 2002.

MANUFACTURED HOME TITLES; EXEMPTION Chapter 377, Article 4, Section 2

Amends M.S. 168A.05 by adding subdivision 1b

Limits the requirement of a statement from the county auditor or treasurer certifying that all personal property taxes have been paid on a manufactured home before the registrar of motor vehicles can issue a certificate of title. (See the previous summary.)

The requirement does not apply to manufactured homes sold by the owner of a manufactured home park due to:

- abandonment of the manufactured home by a tenant of the park; or
- following the termination of a lease after the death of a tenant of the park.

Effective Date: For certificates of title issued by the registrar of motor vehicles on or after July 1, 2002.

CERTIFICATE OF TRANSLATION; REAL PROPERTY TITLES Chapter 403, Section 4

Amends M.S. 507.46

Requires county recorders and registrars of titles to accept foreign language documents concerning real property titles if a translation and a certificate of translation are attached, and the document is in otherwise recordable form.

Specifies the certificate of translation form that must be completed. Makes a certificate of translation or certified copy of it admissible as evidence in any proceeding about the title to the affected real property.

Effective Date: None specified so August 1, 2002.

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L

REPEALED PROPERTY TAX LAWS

REPEALER; DECERTIFICATION OF TIF DISTRICTS

Chapter 377, Article 7, Section 13

Repeals M.S. 469.176, subdivision 1h

Repeals the requirement that early decertification (i.e. termination) of TIF districts must be approved by the commissioner of DOR. This requirement was intended to prevent an early decertification from increasing a state grant from the TIF deficit fund.

Effective Date: Retroactive to July 1, 2001 (the effective date of the provision), and any early decertification of a TIF district made after July 1, 2001 is ratified.

REPEALER; EXEMPTIONS OF HYDROELECTRIC OR HYDROMECHANICAL POWER GENERATING PROPERTY

Chapter 377, Article 10, Section 32

Repeals M.S. 272.02, subdivision 40 and M.S. 295.44

Repeals the property tax exemption located in two different sections for property used for hydromechanical or hydroelectrical power generation. The exemption is now located in M.S. 272.02, subdivision 15 (see page 2).

Effective Date: The day following final enactment (May 19, 2002).

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