

MINNESOTA Department of Revenue

1998 MINNESOTA PROPERTY TAX LAWS

Summary

1998 Minnesota Legislative Session

June 1998

Acknowledgment

The Summary of 1998 Property Tax Laws could not have been produced without the combined knowledge and skills of many people inside and outside the Property Tax Division of the Minnesota Department of Revenue.

The Property Tax Division wishes to thank all the employees in the division for their contributions to the planning, organizing, compiling, writing, editing and final printing of the 1998 Summary.

The Property Tax Division also wishes to acknowledge the contributions of the following organizations outside the division. They were an invaluable source of information from the beginning, when the bills were being drafted, to the end, when the 1998 Summary was printed.

Appeals, Legal Services Division, MN Department of Revenue
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Senate Tax Committee Staff



From the Director

June 15, 1998

The Property Tax Division of the Minnesota Department of Revenue is pleased to provide this summary of the property tax law changes passed by the 1998 Minnesota Legislature during the regular session and signed by the governor.

The purpose of the 1998 Summary is to provide property tax administrators and their service organizations with an organized, condensed source of information to make them aware of legislative changes affecting the property tax laws.

It should be noted that, except for a few cases that may involve the Department of Revenue, the 1998 summary 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: (612) 296-5139.

If you have suggestions for improving future editions of the summary, please contact Karin Miller at (612) 296-8907.

Sincerely,

Michael P. Wandmacher, Director
Property Tax Division

Laws Included in the 1998 Summary

Subject	H.F./S.F. Numbers	Chapter Number	Date Signed
1. Changes to 1997 Rebate	H.F. 2294, S.F. 2041	304	3/18/98
2. 1998 State Departments Bill	S.F. 3354	366	4/06/98
3. Tornado Relief Bill	H.F. 3862, S.F. 3411	383	4/09/98
4. 1998 Omnibus Tax Bill	H.F. 3840, S.F. 2985	389	4/21/98

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A. Property Assessment

General Provisions

CHAPTER 383, ARTICLE 1: ABATEMENTS FOR TORNADO DAMAGED PROPERTY

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 20 gives permission to the county board of qualified counties to abate the full amount of taxes on eligible property for taxes payable in 1998. The owner of the property is not required to apply for this abatement.

For purposes of this subdivision, "qualified counties" means counties in the area designated under Presidential Declaration of Major Disaster DR1212, whether included in the original declaration or added later by federal action. This includes Blue Earth, Brown, Cottonwood, Le Sueur, Nicollet, Nobles and Rice Counties.

"Eligible property" is a parcel of taxable property located in a qualified county that contains a structure(s) that has been determined by the assessor to have lost over fifty percent of its estimated market value due to wind damage sustained during the March 29, 1998 storms.

In the case of agricultural property, the abatement is limited to the taxes attributable to the value of the house, garage and surrounding one acre of land (HGA). Agricultural outbuildings also qualify for tax abatement, provided the assessor determines the structure(s) have lost at least 50 percent of their value. The tax attributable to the agricultural land is not covered under this provision.

As soon as practicable, local and county assessors in qualified counties should notify the county board and property owner of parcels eligible for this abatement.

Section 20 is effective April 10, 1998.

CHAPTER 389, ARTICLE 3: CRV - ONLY RIGHT-OF-WAY CONVEYANCES EXEMPT

(H.F. 3862, S.F. 3411: 1998 Omnibus Tax Bill)

Section 7 pertains to land conveyances between governmental entities and changes the requirements for the filing of a Certificate of Real Estate Value (CRV). (Amends M.S. 272.115, subd. 5.)

The 1997 Omnibus Tax Bill exempted all conveyances between governmental entities from the CRV filing requirement. Under this new provision, only acquisitions for right-of-way purposes by the state, or a political subdivision of the state, are exempt from filing a CRV.

Section 7 is effective for real estate transfers occurring on or after July 1, 1998.

CHAPTER 389, ARTICLE 3: ECONOMIC DEVELOPMENT ABATEMENTS - VOTER APPROVAL NOT NEEDED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 25 exempts local governments from the need to get voter approval to issue bonds to fund abatements for economic development purposes. (Amends M.S. 475.58, subd. 1.)

Section 25 confirms the original intent of the legislature in enacting the abatement law and is effective retroactively to the same time M.S. 469.1813 to 469.1815 became effective. This makes it effective for agreements executed on or after June 3, 1997.

Types of Special Assessments

CHAPTER 383, Article 1: VALUE EXCLUSION FOR BUSINESSES IN TORNADO AREAS

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 21 allows improvements to commercial/ industrial (C/I) property eligible for the preferred class rate on the market value up to \$150,000 to qualify for an exclusion from market value for property tax purposes. In order to qualify for the exclusion, all of the conditions outlined below must be met:

- (1) The building must be damaged by the tornadoes of March 29, 1998,
- (2) The building must be located within an area designated by the Federal Emergency Management Agency as eligible for federal aid due to the tornadoes of March 29, 1998,
- (3) The total estimated market value of the land and buildings must be \$150,000 or less, prior to the improvement and prior to the damage caused by the March 29, 1998,
- (4) A building permit must have been issued prior to the commencement of the improvement, or if the building is located in a city or town which does not have a permit process, the property owner must notify the assessor prior to the commencement of the improvement,
- (5) The property, including its improvements, has received no public assistance, grants or financing,
- (6) The property is not receiving a property tax abatement under section 469.1813, and
- (7) The improvements are made after the effective date of this act and prior to January 1, 2000.

The assessor shall estimate the building's market value in the assessment year immediately following the year that (1) the building permit was taken out, or (2) the taxpayer notified the assessor of the improvement. If the building's market value has increased over the prior year's assessment, the assessor shall note the amount of the increase on the property's record, and that amount shall be subtracted from the property's value each year for five years after the improvement has been made. At that time 20 percent of the excluded value shall be added back in each of the five subsequent assessment years.

For any property, there can be no more than two improvements qualifying for exclusion under this

subdivision. The maximum amount of value that can be excluded from any property under this subdivision is \$50,000.

Section 21 is effective April 22, 1998.

CHAPTER 389, ARTICLE 3: OPEN SPACE - REMOVES INDOOR FACILITIES

(H.F. 3862, S.F. 3411: 1998 Omnibus Tax Bill)

Sections 3 through 5 remove property devoted to indoor fitness, health, social or recreational use from the list of properties eligible for Open Space valuation. (Amends M.S. 273.112, subd. 2, 3 and 4.)

The 1997 Omnibus Tax Bill had made these properties eligible for Open Space treatment.

Such properties, if located within the seven county metro area, are instead eligible for a reduced class rate under changes in Article 2, Section 11 of this same bill. (*See CLASS 4: RENTAL + SEASONAL PROPERTY: PROPERTY CLASSIFICATION, later in this summary.*)

Sections 3 through 5 are effective for taxes assessed in 1998 and thereafter, payable in 1999 and thereafter.

CHAPTER 389, ARTICLE 3: VALUE EXCLUSION FOR IMPROVEMENTS TO CERTAIN APARTMENT PROPERTY

(H.F. 3862, S.F. 3411: 1998 Omnibus Tax Bill)

Section 34 extends the deadline for a provision included in the 1997 Omnibus Tax Bill. This provision allows a market value exclusion for improvements to certain apartments in the cities of Brooklyn Center, Richfield and St. Louis Park. The new deadline for making improvements is January 1, 2000.

Section 34 also decreases the minimum cost of qualifying improvements from \$5,000 to \$2,500.

Section 34 is effective for these cities upon the filing of a certificate of approval with the attorney general's office.

CHAPTER 389, ARTICLE 3: ELDERLY ASSISTED LIVING FACILITIES - MORATORIUM ON CHANGES EXTENDED

(H.F. 3862, S.F. 3411: 1998 Omnibus Tax Bill)

Section 36 extends the moratorium on changes in assessment practices for existing elderly assisted living facilities an additional year.

This moratorium is in effect until new legislation establishes new criteria, or the adjournment of the 1999 regular legislative session, whichever is earlier.

CHAPTER 389, ARTICLE 11: GREEN ACRES AND TIF - DISTRIBUTION FACILITIES

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 6 adds "distribution facilities" to the list of Green Acres parcels which can be included in a TIF district. (Amends M.S. 569.176, subd. 7.) The old law allowed only manufacturing projects and qualified housing districts to be included.

A "distribution facility" is described as buildings and other improvements to real property used to conduct at least one of these three activities:

- (1) to store or warehouse tangible personal property,
- (2) to take orders for shipment, mailing or delivery,
- (3) to prepare personal property for shipment, mailing or deliver, and also,
- (4) to ship, mail or deliver property.

A "qualified manufacturing facility" is defined as space used for manufacturing or producing tangible personal property, including processing that results in a change in condition of the property and the space necessary for and related to the manufacturing activities.

Section 6 also requires manufacturing or distribution TIF projects on Green Acres parcels to pay 160 percent of the federal minimum wage to at least 90 percent of the employees.

Section 6 is effective for TIF districts certified after April 30, 1998.

Exempt Property

CHAPTER 389, ARTICLE 3: DISTRESSED HOMESTEAD REINVESTMENT EXEMPTION

(H.F. 3862, S.F. 3411:1998 Omnibus Tax Bill)

Section 11 provides a five-year property tax exemption for distressed homes that undergo significant rehabilitation and are in marginal neighborhoods. This program applies only to cities of the first class. (Adds M.S. 273.80.)

Definitions:

"Substantially condition deficient" means that repairs estimated to cost at least \$20,000 are necessary to restore the house to sound operating condition, based on prevailing costs of home improvements in the area.

"Sound operating condition" means that the home meets minimal health and safety standards for residential occupancy under applicable housing or building codes.

"Residential rehabilitation consultant" means a person employed by a housing services organization which is recognized by city council resolution in the city where the property is located. This person must be trained in residential housing rehabilitation.

"Census tract" means a tract defined for the 1990 federal census.

To qualify a home must first be deemed substantially condition deficient by a residential rehabilitation consultant.

To be eligible, the home must be an owner occupied, detached, single family dwelling and:

- (1) be located in a city of the first class,
- (2) be located in a census tract where the median home value is less than 80 percent of the median value for the entire city, according to the 1998 assessment,
- (3) have a current estimated market value less than 60 percent of the median value for the entire city, according to the 1998 assessment, and
- (4) be declared substantially condition deficient by a residential rehabilitation consultant.

A home must meet these requirements before May 1, 2003. The property tax exemption begins after the housing consultant certifies that the home is in sound operating condition and that all necessary permits were obtained. The owner need not occupy the dwelling while the repairs are being made,

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provided the property is occupied prior to granting the exemption. Repairs may be made prior to the owner purchasing the property, if those repairs are done by or for a 501(c)(3) nonprofit organization.

A qualifying home is exempt from all property taxes on the land and buildings for five consecutive years after being certified in sound operating condition, provided it is owned and occupied by the same person who owned it when the home was certified as deficient or by the first purchaser from the 501(c)(3) organization that repaired the property.

To be effective for taxes payable the following year, the certification must be made by September 1.

The assessor may require whatever information necessary to determine eligibility for the exemption. During the time the property is exempt, the assessor is to continue to value the property and record its current value on the tax rolls.

Section 11 is effective for homes which apply and meet the above eligibility requirements before May 1, 2003.

CHAPTER 389, ARTICLE 15: SEWER DISTRICT PROPERTY - EXEMPT

(H.F. 3862, S.F. 3411: 1998 Omnibus Tax Bill)

Section 22 exempts all properties owned, leased, controlled, used, or occupied by the newly established Farwell-Kensington Sanitary Sewer District Board from property taxation.

Section 22 is effective upon the filing of a certificate of approval with the Secretary of State by the city of Farwell and the city of Kensington, or 30 days after a referendum is held in those cities.

B. Property Classification

Class 1: Residential Property

CHAPTER 389, Article 2: CLASS 1A - HOMESTEAD PROPERTY - RATE REDUCTION

(H.F. 3840, S.F. 342985: 1998 Omnibus Tax Bill)

Section 8 reduces the class rate on the second tier (the amount over \$75,000) of class 1a (residential homestead) property from 1.85 percent to 1.7 percent. (Amends M.S. 273.13, subd. 22.)

Section 8 is effective beginning with taxes payable in 1999.

CHAPTER 389, Article 2: CLASS 1C - RATE REDUCTION + CHANGE

(H.F. 3840, S.F. 342985: 1998 Omnibus Tax Bill)

Section 8 changes the requirements for class 1c (homestead resort) property. (Amends M.S. 273.13, subd. 22.)

Under this section the owners of these properties no longer need to derive at least 40 percent of their gross receipts during the summer months, nor do 60 percent of the bookings need to be for at least two nights in order to qualify for class 1c.

Section 8 states that resorts which receive partial class 1c treatment and partial class 4c treatment must fully meet the class 4c (commercial seasonal recreational residential) classification requirements. If the entire property does not meet these requirements, it will be classified as class 3. For the new class 4c requirements, see the heading *CLASS 4: RENTAL + SEASONAL* later in this section.

Section 8 is effective beginning with taxes payable in 1999.

Class 2: Agricultural + Timberland + Some Airports

CHAPTER 389, Article 2: CLASS 2A AND 2B - RATE REDUCTIONS

(H.F. 3840, S.F. 342985: 1998 Omnibus Tax Bill)

Section 9 reduces the class rate on the first \$115,000 in market value of class 2a (agricultural homestead) property from .4 percent to .35 percent. It also reduces the class rate on the market value in excess of \$115,000, but under 320 acres, from .9 percent to .8 percent. This section also reduces the class rate on the market value in excess of \$115,000 and over 320 acres, from 1.4 percent to 1.25 percent. (Amends M.S. 273.13, subd. 23.)

Section 9 also decreases the class rate on class 2b (agricultural nonhomestead and timberland) property from 1.4 percent to 1.25 percent.

Section 9 is effective beginning with taxes payable in 1999.

CHAPTER 389, ARTICLE 3: AG HOMESTEAD - CONTIGUOUS LAND - CHANGE

(H.F. 3840, S.F. 2985: Omnibus Tax Bill)

Section 8 extends the distance that noncontiguous agricultural land can be from the rest of the homestead and still qualify as part of that homestead. (Amends M.S. 273.124, subd. 14.)

Under the old law, noncontiguous land was included as part of the agricultural homestead if located within two townships or cities from the homestead. This section extends that distance to within four townships or cities.

Section 8 stipulates that it is the taxpayer's responsibility to notify the county assessor that the noncontiguous land is a part of the homestead. If the noncontiguous land is located in another county, it is the taxpayer's responsibility to notify the assessor of the other county also.

Section 8 is effective for taxes payable in 1999 and thereafter.

CHAPTER 389, ARTICLE 3: AG HOME-STEAD - RELOCATION DUE TO 1997 FLOODS

(H.F. 3840, S.F. 2985: Omnibus Tax Bill)

Section 8 states that for taxes payable in 1999 and later years, agricultural landowners in Polk, Clay, Kittson, Marshall, Norman or Wilkin counties who have relocated their homesteads due to the 1997 floods do not need to supply additional notifications to the assessor, as long as an initial notification is made and the property continues to meet the requirements. This section also removes any reference to a deadline for initial notification. (Amends M.S. 1997 Supplement, section 273.124, subd. 14.)

Section 8 is effective for taxes payable in 1999 and thereafter.

CHAPTER 383, Article 1: AGRICULTURAL HOMESTEADS - RELOCATION DUE TO 1998 TORNADO

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 35 states that agricultural land and buildings which were classed as homestead property for the 1998 assessment shall remain classified as agricultural homesteads, if:

- (1) The property owner abandoned the dwelling located on the agricultural homestead as a result of damage caused by the March 29, 1998 tornado,
- (2) The property is located in Blue Earth, Brown, Cottonwood, Le Sueur, Nicollet, Nobles or Rice Counties,
- (3) The land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year,
- (4) The new dwelling occupied by the owner is located in the state of Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer, and
- (5) The owner notifies the county assessor that the relocation was due to the tornado and the owner furnishes the assessor any information deemed necessary to verify the change in homestead dwelling.

For taxes payable in 1999 the owner must notify the assessor by December 1, 1998. Further notification to the assessor is not required, if the property continues to meet all other requirements and if the dwelling on the agricultural land remains uninhabited. (Amends M.S. 273.124, subd. 14.)

Section 35 is effective April 22, 1998.

CLASS 3: C/I Property + Public Utilities + Employment Property

CHAPTER 389, Article 2: CLASS 3A AND CLASS 3B - RATE REDUCTIONS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 10 reduces the class rate on the first tier (the value up to \$150,000) of class 3a (commercial/industrial and utility) property from 2.7 percent to 2.45 percent. It also reduces the class rate for the upper tier (the value over \$150,000) from 4.0 percent to 3.5 percent. (Amends M.S. 273.13, subd 24.)

Section 10 also reduces the class rate on the second tier (the value over \$50,000) of class 3b (employment) property from 3.6 percent to 3.5 percent.

Section 10 further specifies that the class rate for commercial/industrial property in transit zones should be reduced proportionally. (This reduces the class rate on the first \$150,000 in value from 2.7 percent to 2.45 percent and the class rate on the value over \$150,000 from 3.4 percent to 2.98 percent.)

Section 10 is effective beginning with taxes payable in 1999.

Class 4: Rental + Seasonal Property

CHAPTER 389, Article 2: CLASS 4A - RATE REDUCTIONS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 reduces the class rate for class 4a property (apartments with four or more units) from 2.9 percent to 2.5 percent. This section also reduces the small city apartment rate from 2.3 percent to 2.15 percent. (Amends M.S. 273.13, subd 25.)

Section 11 is effective beginning with taxes payable in 1999.

CHAPTER 389, Article 2: CLASS 4B - RATE REDUCTIONS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 reduces the class rate on class 4b (duplex, triplex, undeveloped residential and single units not qualifying for 4bb) property from 2.1 percent to 1.7 percent. (Amends M.S. 273.13, subd 25.)

Section 11 is effective beginning with taxes payable in 1999.

CHAPTER 389, Article 2: CLASS 4BB - RATE REDUCTIONS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 reduces the class rate on the first tier (the value up to \$75,000) of class 4bb (single unit residential nonhomestead) property from 1.9 percent to 1.25 percent. It also reduces the class rate on the upper tier (the value over \$75,000) from 2.1 percent to 1.7 percent. (Amends M.S. 273.13, subd 25.)

Section 11 is effective beginning with taxes payable in 1999.

CHAPTER 389, Article 2: CLASS 4C(1) - NON-COMMERCIAL SEASONAL RECREATIONAL RESIDENTIAL - RATE REDUCTION

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 reduces the class rate on the first \$75,000 in value of class 4c(1) (noncommercial seasonal recreational residential) property from 1.4 percent

to 1.25 percent. This section also reduces the class rate on the upper tier (the value over \$75,000) from 2.5 percent to 2.2 percent. (Amends M.S. 273.13, subd 25.)

Section 11 is effective beginning with taxes payable in 1999.

CHAPTER 389, Article 2: CLASS 4C(1) - RESORT PROPERTY - RATE REDUCTION + DEFINITION CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 reduces the class rate on resort property (commercial seasonal recreation residential) from 2.1 percent to 1.8 percent. (Amends M.S. 273.13, subd 25.)

Section 11 also modifies the eligibility requirements for class 4c(1) resort property. Under these modifications, in order for a property to be classified as class 4c(1), seasonal recreation residential property for commercial purposes, at least 40 percent of the annual gross lodging receipts must be from business conducted during 90 consecutive days, and either (1) at least 60 percent of all paid booking by lodging guests during the year must be for a period of at least 2 consecutive nights, or (2) at least 20 percent of the annual gross receipts must be from charges of rental of fishhouses, boats, motors, snowmobiles, down hill or cross county ski equipment or charges for marina services, launch services, guide services, or the sale of bait and tackle.

For purposes of this section, paid bookings of 5 or more nights shall be counted as two bookings. This section also states that class 4c property classified in this clause also includes the remainder of class 1c resorts, provided that the entire property, including that portion of the property classified as class 1c, also meets the requirements for class 4c. Otherwise the entire property will be classified as class 3 (commercial) property.

Section 11 is effective beginning with taxes payable in 1999.

CHAPTER 389, Article 2: CLASS 4C(2) - GOLF COURSE CHANGES

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 provides that all private golf courses which are open to the public on a daily fee basis, charge green fees comparable to those charged by municipal courses, and meet the gender nondiscrimination standards will now qualify for class 4c(2). (Amends M.S. 273.13, subd 25.)

Under the old law, only golf courses located in counties under 50,000 population or counties containing golf courses operated by a city, the county or a special taxing district could qualify.

Section 11 is effective beginning with taxes payable in 1999.

CHAPTER 389, Article 2: CLASS 4C(4) - STUDENT HOUSING - RATE CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 stipulates that student cooperative, sorority or fraternity housing will have the same class rate as the first tier of 4bb single unit residential nonhomestead property, which is 1.25 percent. (Amends M.S. 273.13, subd 25.)

Section 11 is effective beginning with taxes payable in 1999.

CHAPTER 389, Article 2: CLASS 4C(6) - METRO INDOOR HEALTH AND FITNESS - CHANGES

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 states that property which is devoted to indoor fitness, health, social or recreational use, is owned by a nonprofit corporation and is located within the seven county metro area are to be classified as 4c(6). (Amends M.S. 273.13, subd 25.)

Eligibility of these properties (and all indoor fitness/recreation space) for the open space valuation treatment is removed in Article 3 of this same bill. (See *PROPERTY ASSESSMENT: TYPES OF SPECIAL ASSESSMENTS*, earlier in this summary.)

Section 11 is effective beginning with taxes payable in 1999.

CHAPTER 389, ARTICLE 2: OLD CLASS 4C - TRANSITION RATES - CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 7 decreases the transitional class rate on the old 4c properties from 2.6 percent to 2.5 percent for taxes payable in the year 2000. (Amends M.S. 273.127, subd 3.) The transition rate for taxes payable in 1999 remains at 2.4 percent.

These are the transition rates for apartment property that used to qualify as low-income apartments, but which do not meet the requirements for the new low-income housing class 4d.

Section 7 is effective for taxes payable in 2000.

CHAPTER 389, Article 3: CLASS 4D - LOW INCOME HOUSING - CLARIFICATIONS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 9 clarifies the requirement that class 4d rental units must be made available to families with either a Section 8 certificate or voucher. (Amends M.S. 273.126, subd. 3.)

This section also provides that for class 4d applications made before July 1, 1999, the required percentage of units is increased to 40 percent and that maximum rent on those units is limited to fair market value for the area, if within the five-year period:

- (1) 40 percent or more of the units in a project were covered by a Section 8 contract and the contract is canceled or no longer applies, or
- (2) the units were in projects financed by a Title II federal loan and the loan has been paid or prepaid, eliminating restrictions on rents.

Section 19 requires units classified as class 4d to meet the HUD housing quality standards only if there is no local housing maintenance code. Under the old law, the higher of the two standards had to be met. (Amends M.S. 462A.071, subd. 4.)

Section 20 states that housing units financed by the Rural Housing Service of the U.S. Department of Agriculture and receive payments under its rental assistance program qualify as low income housing. (Amends M.S. 462A.071, subd. 6.)

Sections 9, 19 and 20 are effective beginning with taxes assessed in 1998, payable in 1999.

**CHAPTER 389, ARTICLE 3: CLASS 4D -
APRIL 1 DEADLINE - MHFA CHANGES**

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 18 establishes an April 1 annual deadline for owners of rental property to make application to the assessor for the 4d classification. This section directs the Minnesota Housing Finance Agency (MHFA) to have procedures in place for this application process by calendar year 2000. (Amends M.S. 462A.071, subd. 2.)

Section 18 also stipulates that application fees are to be deposited in an MHFA housing development fund. This section also clarifies that applications for the 4d classification must indicate the qualifying units which are in compliance with income limits. The initial legislation asked them to indicate which building is in compliance

Section 18 is effective beginning with property taxes assessed in 1998, payable in 1999, except that the MHFA has until calendar year 2000 to establish the April 1 application procedures.

Class 5: Miscellaneous Property

**CHAPTER 389, Article 2: CLASS 5 - RATE
REDUCTION**

(H.F. 3840, S.F. 342985: 1998 Omnibus Tax Bill)

Section 12 reduces the class rate on class 5 (public utility) property from 4.0 percent to 3.5 percent. (Amends M.S. 273.13, subd. 31.)

Section 12 is effective beginning with taxes payable in 1999.

Class Rate Percentages of Real Property by Property Type Taxes Payable 1998 and 1999

Class	Real Property Description	Class Rate Payable 1998	Class Rate Payable 1999
1a	Residential homestead first \$75,000 over \$75,000	1.00% 1.85%	1.00% 1.70%
1b	Blind/Paraplegic Veteran/Disabled homestead agricultural: first \$32,000 non-agricultural: first \$32,000	0.45% 0.45%	0.45% 0.45%
1c	Commercial seasonal - recreational residential - under 250 days and includes homestead	1.00%	1.00%
1d	Migrant Housing first \$75,000 over \$75,000	1.00% 1.85%	1.00% 1.70%
2a	Agricultural homestead House, garage, one acre: first \$75,000 over \$75,000 Remainder of farm first \$115,000 over \$115,000: first 320 acres over 320 acres	1.00% 1.85% 0.40% 0.90% 1.40%	1.00% 1.70% 0.35% 0.80% 1.25%
2b	Timberlands	1.40%	1.25%
2b	Nonhomestead agricultural land	1.40%	1.25%
3a	Commercial/Industrial and public utility first \$150,000 over \$150,000 Transit zone first \$150,000 over \$150,000	2.70% 4.00% 2.70% 3.40%	2.45% 3.50% 2.45% 2.98%
3b	Employment property competitive city or zone: first \$50,000 over \$50,000 border city: first \$150,000 over \$150,000	2.30% 3.60% 2.70% 4.00%	2.30% 3.50% 2.45% 3.50%

* 4c and 4d transition rates for 1998

** Cities of 5,000 population or less and located entirely outside the seven county metropolitan area and the adjacent nine county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population over 5,000

*** Transition class rates for 1999 for properties that do not qualify for the new 4d class rate

Class Rate Percentages of Real Property by Property Type Taxes Payable 1998 and 1999

Class	Real Property Description	Class Rate Payable 1998	Class Rate Payable 1999
4a	Rental housing four or more units, including private for-profit hospitals	2.90%	2.50%
	selected small cities, four or more units **	2.30%	2.15%
4bb	Residential nonhomestead single unit first \$75,000	1.90%	1.25%
	over \$75,000	2.10%	1.70%
4b(1)	Residential nonhomestead one to three units that does not qualify for class 4bb	2.10%	1.70%
4b(2)	Unclassified manufactured homes	2.10%	1.70%
4c *	Title II National Housing (structures) and Minnesota Housing Finance Agency (MHFA) (structures)	2.00%	
4c	*** Properties which qualified or could have qualified as 4c for 1998, but do not qualify as 4d for 1999, structures only		2.40%
4c *	Section 8 (structures)	2.00%	
4c *	Section 42 (structures)	2.00%	
4c *	Neighborhood real estate trust	2.00%	
4c *	Land for Title II, MHFA, sections 8 and 42 national housing structures one unit	1.90%	
	two or three units	2.10%	
	four or more units	2.90%	
	selected small cities, four or more units **	2.30%	
4c	*** Land for properties classified as class 4 in 1998 which does not qualify as 4d in 1999 one unit		1.25%
	two or three units		1.70%
	four or more units		2.50%
	selected small cities, four or more units **		2.15%
4c(1)	Seasonal recreational residential commercial	2.10%	1.80%
	noncommercial first \$75,000	1.40%	1.25%
	over \$75,000	2.50%	2.20%

* 4c and 4d transition rates for 1998

** Cities of 5,000 population or less and located entirely outside the seven county metropolitan area and the adjacent nine county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population over 5,000

*** Transition class rates for 1999 for properties that do not qualify for the new 4d class rate

Class Rate Percentages of Real Property by Property Type Taxes Payable 1998 and 1999

Class	Real Property Description	Class Rate Payable 1998	Class Rate Payable 1999
4c(2)	Qualifying golf courses	2.10%	1.80%
4c(3)	Nonprofit community service organization	2.10%	1.80%
4c(4)	Postsecondary student housing	2.10%	1.25%
4c(5)	Manufactured home parks	2.00%	2.00%
4c(6)	Metro nonprofit recreational property		1.80%
4d *	FHA structures in cities under 10,000 population	1.90%	
4d	Properties that qualified or could have qualified as 4d for 1998, but do not qualify for the new 4d class for 1999, structures only ***		2.20%
4d *	MHFA or HRA low income lease-purchase properties ***	1.90%	
4d	Qualifying 4d properties - land and buildings (includes single unit and qualifying portions of multi-unit buildings		1.00%
4e	Residential portion of certain converted warehouses	2.30%	2.30%
5(1)	Public utility machinery	4.00%	3.50%
5(2)	Unmined iron ore	4.00%	3.50%
5(2)	Low recovery iron ore	4.00%	3.50%
5(3)	All other property not included in any other class	4.00%	3.50%

* 4c and 4d transition rates for 1998

** Cities of 5,000 population or less and located entirely outside the seven county metropolitan area and the adjacent nine county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population over 5,000.

*** Transition class rates for 1999 for properties that do not qualify for the new 4d class rate.

C. Property Tax Levies and Levy Limitations

Overall Levy Limitations

CHAPTER 389, ARTICLE 4: SPECIAL LEVIES EXEMPT FROM LEVY LIMITS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 1 adds three additional special levies to the list of levies exempt from overall levy limits. (Amends M.S. 275.70, subd. 5.)

The special levies that are exempt from the overall limits are:

- (1) a special levy for tax losses due to property tax abatements resulting from the tornadoes of March 29, 1998,
- (2) a special levy to make up a loss due to an error in the final amount of levy certified to the county auditor in the previous year, and
- (3) a special levy to fund property tax abatements granted for economic development purposes.

Section 1 is effective for special taxes levied in 1998, payable in 1999.

CHAPTER 389, ARTICLE 4: MATCHING FUND SPECIAL LEVIES - CLARIFICATIONS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 2 codifies the administrative practice regarding which levy amounts may be treated as matching funds special levies for taxes payable in 1998 and 1999. (Amends M.S. 275.70.) As such, these levies are exempt from the overall levy limitation for a county government or a city with a population over 2,500.

Under these clarifications, the special levy does not include increases in general program costs where there is no mandated increase regarding the matching fund requirements. This section specifies that increases in direct or indirect income maintenance administration costs are not included.

Section 2 also clarifies that the special levy allowance *does* cover: (1) increases for social services and social services administration, *only* to the extent that the minimum local share amount needed to receive Community Social Service Aids (CSSA) exceeds the amount levied for social services and social services administration for taxes payable year 1997, and (2) increases in county costs for Title IV-E Foster Care Services over the amount levied for

taxes payable year 1997, *only* to the extent that the amount from both years represents the local matching fund requirement for the federal grant.

Section 2 is effective for levies payable in 1998 and 1999.

CHAPTER 389, ARTICLE 4: ADJUSTED LEVY LIMIT BASE - NEW GROWTH FACTORS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Sections 3 and 4 state that new construction of class 3 and class 5 property should be included as an additional growth factor when calculating the levy limit base for a county government or a city with a population over 2,500. (Amends M.S. 275.71, subd. 3.) Currently the levy limit base is increased by an inflation factor and a household growth factor only.

Sections 3 and 4 are effective for taxes levied in 1998, payable in 1999.

CHAPTER 389, ARTICLE 4: LEVY LIMIT - DECREASE IF CERTAIN AID RECEIVED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 5 reduces a local government's levy limit if they receive certain flood relief aid and/or low income housing aid provided under this same bill. (Amends 275.71, subd. 4.)

Section 5 is effective for taxes levied in 1998, payable in 1999.

CHAPTER 389, ARTICLE 4: ADJUSTMENT FOR CHANGES IN SERVICE LEVELS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 6 states that if a county or a levy limit city, as a result of an annexation agreement prior to January 1, 1997, has different tax rates in various parts of the jurisdiction due to different service levels, it can petition the Commissioner of Revenue to adjust its levy limits. (Adds M.S. 275.72, subd. 2a.)

The levy limit shall be adjusted to reflect scheduled changes in tax rates related to increasing service levels in new areas.

Section 6 is effective for taxes levied in 1998, payable in 1999.

City Levies

CHAPTER 383, ARTICLE 1: REBUILDING SCHOOLS IN TORNADO AREAS

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 13 allows the school districts of Saint Peter, Comfrey and Le Center to expedite school reconstruction by entering into construction contracts that they determine to be in their best interests. This construction is emergency construction and not subject to the competitive bid process.

Section 14 concerns school levies and the school districts of St. Peter, Comfrey and Le Center. This provision allows these districts to make an additional levy for facility betterment. The levy must be directly related to the cost of the betterment of the damaged facility and may only be for costs incurred and not otherwise paid for by insurance or other proceeds. The total cost related to the levy may not exceed 2 percent of the district 1995 adjustment net tax capacity. The project must also be approved under Minnesota Statute Section 121.15. The levy may be spread over more than one year. The levy is not eligible for state aid payments. Prior to making this levy, a district must consult with, and receive approval from, the city and county in which its administration offices are located.

Section 13 and 14 are effective April 10, 1998.

CHAPTER 389, ARTICLE 3: TRANSIT LEVIES - INFORMATION ON TNT NOTICE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 12 permits a city or town that exercises its local option on transit services to itemize the amount of the levy attributable to that service on the proposed property tax (Truth in Taxation) notice. (Amends M.S. 275.065.)

Section 12 further provides that the first year this local option is exercised, the proposed property tax statement must include an estimate of the reduction in the metropolitan council's tax on the parcel due to choosing this option. (See *TRUTH IN TAXATION: PUBLISHED NOTICES*, later in this summary.)

The metropolitan council's levy shall be adjusted accordingly.

Section 12 is effective beginning with notices prepared in 1998, for taxes payable in 1999.

CHAPTER 389, ARTICLE 3: MINNEAPOLIS AND SAINT PAUL TRANSIT ZONES ESTABLISHED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 45 allows the cities of Minneapolis and Saint Paul to impose a transit zone tax within the downtown taxing district.

Definitions:

"Taxing district" means the downtown area.

"Transit zone tax capacity" means the reduction in net tax capacity which results from the reduced class rate under M.S. 273.13, subd. 24, para. (c).

The rate of tax is to be the total tax rate of the county, city, school district and special taxing districts for that taxes payable year. The tax will equal the rate multiplied by the transit zone tax capacity.

The transit zone tax is not subject to the city's overall levy limitation. Revenues generated from this tax are to be deposited in a separate account and used only to provide transit services in the downtown taxing district.

Section 45 is effective April 22, 1998'.

CHAPTER 389, ARTICLE 4: CITY OF RED WING - LEVY LIMITS - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 14 increases the property tax levy limit base for the city of Red Wing by \$477,677 for taxes levied in 1998, payable in 1999.

Section 14 is effective for taxes levied in 1998, payable in 1999, upon filing a certificate of approval with the Secretary of State.

CHAPTER 389, ARTICLE 4: CITY OF WAITE PARK - LEVY LIMITS - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 15 increases the adjusted property tax levy limit base for the city of Waite Park by \$117,000 for taxes levied in 1998, payable in 1999.

Section 15 is effective for taxes levied in 1998, payable in 1999, upon filing a certificate of approval with the Secretary of State.

CHAPTER 389, ARTICLE 4: CITY OF COON RAPIDS - LEVY LIMITS - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 16 increases the adjusted levy limit base in the city of Coon Rapids by \$450,000 for taxes levied in 1998, payable in 1999.

This is the amount of an additional Local Government Aid (LGA) payment to be received by the city under Article 4, Sections 7 and 9 of this same bill. (See *LOCAL GOVERNMENT AID: LGA FOR CITIES*, later in this summary.)

Section 16 is effective for taxes levied in 1998, payable in 1999, upon filing a certificate of approval with the Secretary of State.

CHAPTER 389, ARTICLE 4: CITY OF SAINT PETER - LEVY LIMITS - EXEMPTION

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 17 exempts the city of Saint Peter from levy limits for taxes levied in 1998, payable in 1999.

Section 17 is effective for taxes levied 1998, payable in 1999, upon filing a certificate of approval with the Secretary of State.

Town Levies

CHAPTER 389, ARTICLE 3: TRANSIT LEVIES - INFORMATION ON TNT NOTICE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 12 permits a town or city that exercises its local option on transit services to itemize the amount of the levy attributable to that service on the proposed property tax (Truth in Taxation) notice. (Amends M.S. 275.065.)

Section 12 further provides that the first year this local option is exercised, the proposed property tax statement must include an estimate of the reduction in the metropolitan council's tax on the parcel due to choosing this option. (See *TRUTH IN TAXATION: PUBLISHED NOTICES*, later in this summary.)

The metropolitan council's levy shall be adjusted accordingly.

Section 12 is effective beginning with notices prepared in 1998, for taxes payable in 1999.

Special District Taxing Levies

CHAPTER 389, ARTICLE 3: REGIONAL DEVELOPMENT COMMISSIONS - CHANGE IN LEVY LIMITS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 17 authorizes increases in the 1998 levy limitation for three regional development commissions and clarifies future levy limits for all regional development commissions. (Amends M.S. 462.396, subd. 2.)

For region 2 (Beltrami, Clearwater, Lake of the Woods, Hubbard and Mahnomen counties) and region 6W (Big Stone, Chippewa, Lac qui Parle, Swift and Yellow Medicine counties) the \$150,000 levy limit is increased to \$180,000. For region 7E (Chisago, Isanti, Kanabec, Mille Lacs and Pine counties) the \$158,653 limit is also increased to \$180,000. These changes are for taxes levied in 1998, payable in 1999.

Section 17 also states that for taxes levied in 1999 and thereafter, payable in 2000 and thereafter, the maximum amount that may be levied by each regional development commission shall be the greater of (1) the maximum amount authorized for payable 1999, or (2) 103 percent of the actual amount levied in the previous year. This provision applies to all such commissions, not just the three mentioned above.

Section 17 is effective for taxes levied in 1998 and thereafter, payable in 1999 and thereafter.

CHAPTER 389, ARTICLE 3: TRANSIT HUBS - DEFINITION CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 23 provides that a transit hub meets the definition of "regular route transit service" even if the two scheduled runs per hour from the hub (the minimum to qualify as a hub) are not on the same route. (Amends M.S. 473.3915, subd. 2.)

Section 23 is effective for taxes payable in 1999 and thereafter, and applies to Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.

CHAPTER 389, ARTICLE 3: TRANSIT ZONE - DEFINITION CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 24 provides that a transit zone includes the area within one-eighth of a mile of a replacement transit service hub. (Amends M.S. 473.3915, subd. 3.)

Section 24 is effective for taxes payable in 1999 and thereafter, and applies to Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.

CHAPTER 389, ARTICLE 3: RED RIVER WATERSHED MANAGEMENT BOARD

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 29 adds the watershed districts located within Traverse, Grant, Big Stone and Stevens Counties and which are also located within the Red River basin to the list of watershed districts that may issue a levy not exceeding .04836 percent of market value.

One half of the levy proceeds is to be credited to the individual district's construction funds and one half is to be credited to the Red River Watershed Management Board for projects and programs that benefit the Red River basin.

Section 29 is effective the day following final enactment.

CHAPTER 389, ARTICLE 3: WILD RICE WATERSHED DISTRICT - USE OF FUNDS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 32 allows the Wild Rice Watershed District to use a portion of its levy for administration costs associated with 1997 flood mitigation projects.

Section 32 is effective for taxes levied in 1997, payable in 1998 and thereafter.

CHAPTER 389, ARTICLE 3: CHISHOLM/HIBBING AIRPORT AUTHORITY

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 33 states that the Chisholm/Hibbing Airport Authority is a political subdivision (and a special taxing district). This excludes the airport levy from the calculation of the two cities' levy limits.

Section 33 is effective for taxes levied in 1997, payable in 1998 and thereafter.

CHAPTER 389, ARTICLE 12: BORDER CITY DEVELOPMENT ZONES - EXEMPT

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 1 exempts from property taxes new construction of commercial/industrial and public utility property in border city development zones. (These are defined later in Section 6 of this same article.) (Adds M.S. 272.0212.)

This exemption does not apply to:

- (1) special assessments,
- (2) debt levies, or
- (3) unequalized school levies.

This exemption is allowed only if the municipality finds it necessary in order to retain or attract businesses in the zone. The exempt property is to be included in the net tax capacity for purposes of computing LGA.

Section 2 removes the December 31, 1998 sunset on border city enterprise zones and makes the zones permanent. (Amends M.S. 469.169, subd. 11.)

Section 3 allocates additional funds for tax reductions to border city enterprise zones located on the western border of the state. (Adds M.S. 469.169, subd. 12.) The cumulative total amount of tax reductions for all years of the program is limited to:

Breckenridge	\$394,000
Dilworth	\$118,200
East Grand Forks	\$788,000
Moorhead	\$591,000
Ortonville	\$ 78,800

Section 4 limits the requirement that businesses file multi-year plans to receive tax reductions for operating in border city enterprise zones to:

- (1) Businesses that will receive more than \$25,000 in benefits in one year, or
- (2) Businesses that receive a special reduction in targeted areas.

(Adds M.S. 469.170, subd 5e.) Under current law, all businesses must file multi-year plans in order to receive enterprise zone reductions.

Section 5 provides for payment of the last two years of tax credits after a business ceases to operate in a border city enterprise zone. (Amends M.S. 469.171, subd. 9.) This clarifies the two year requirement under current law and eliminates the graduated repayment schedule. This section also states that the Department of Revenue can utilize all available remedies for the collection of this tax.

Section 6 authorizes the cities named above to designate all or part of the city as development zones. (Adds M.S. 469.1731.) Before designating a zone, the city must prepare a written plan that addresses:

- (1) evidence of adverse economic conditions within the area resulting from competition with the bordering state, the 1997 floods or both,
- (2) the viability of the development plan,
- (3) public and private commitment to, and other resources available for, the area,
- (4) how designation would relate to a development and revitalization plan for the city as a whole, and
- (5) how the local regulatory burden will be eased for businesses operating in the area.

The development plan must also include:

- (1) a map of the proposed zone, indicating geographic boundaries, the total area and general use and conditions of the land and structures in the area,
- (2) evidence of community support and commitment from business interests,
- (3) a description of the methods proposed to increase economic opportunity, improve building infrastructure and identify job opportunities, and
- (4) the duration of the zone designation (not to exceed 15 years).

These plans are to be filed with the Commissioner of Trade and Economic Development. The designation will take effect on the first day of the next calendar year that begins 90 days or more after the filing. The duration of the zone must be specified in the plan. The maximum allowed is 15 years.

Section 7 provides that the tax incentives available in the border city development zones are:

- (1) Property tax exemption,
- (2) Corporate franchise tax exemption, and
- (3) Sales tax exemption for equipment and building materials used in a trade or business.

(Adds M.S. 469.1732)

Section 8 disqualifies individuals or businesses that owe delinquent individual income, corporate franchise, motor fuels, sales, liquor or property taxes from receiving these tax incentives. Taxpayers must authorize the Department of Revenue to disclose information needed to determine eligibility. (Adds M.S. 469.1733.)

If a business relocates into a border city enterprise zone from within the county where the development zone is located, the business is not eligible for the tax incentives unless the city council (for a business located within a city) or the county board (for a business located outside an incorporated area) approves the relocation.

If a business relocates more than 25 full-time jobs into the zone from a Minnesota location outside the county containing the zone, the business must notify the Commissioner of Trade and Economic Development and the city and county governments from which the jobs are being moved. The business can make notification of its intent, before actually doing so. The business will not be eligible for the exemptions and credits available in the zone, if the governing body of the city or county from which the business is moving adopts a resolution objecting to the relocation within 60 days of receiving notice of the move. A copy of this resolution must be filed with the Commissioner of Trade and Economic Development and the city that created the border city development zone into which the jobs are to be transferred. Such a business becomes eligible for the tax incentives in the zone when each city or county that objected to the relocation rescinds its objection by another resolution.

Section 9 authorizes cities that establish border city development zones to also grant tax incentives to businesses located outside the zone, but within the city. (Adds M.S. 469.1734.) They may grant a partial or complete exemption from property taxes on land and buildings for a period not to exceed five years. A partial exemption must be stated as a percentage of the total tax assessed.

A city may also establish an amount due as payments in lieu of tax on the buildings and other improvements. The city council is to designate the amount of the payments, and the time frame involved. The option to make payments in lieu of tax is limited to 20 consecutive years. To establish the amount of in lieu of tax payments, the local government may use actual or estimated assessment figures or designate different amounts in different years to account for expansion plans or other considerations. They must first determine whether granting the exemption or payments in lieu of tax, or both, is necessary to enable a business to expand or to attract a business to the city and is in the best interest of the city. If it so determines, the city must give its approval.

continued

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However, unless the city council determines that no existing business within the city is a potential competitor of the new project, the business must publish in the official newspaper of the city two notices, at least a week apart, telling competitors of their application for tax concessions. The publications must be completed not less than 15 nor more than 30 days before the city council meets to approve the exemption or payments in lieu of tax.

Sales tax exemptions and corporate franchise, income and payroll tax credits are also available to qualifying businesses. Section 10 requires businesses to apply to the city to receive these tax breaks. The city will issue tax credit certificates to businesses that qualify.

Section 10 also gives cities the option to use money allocated for tax credit certificates to reimburse the city or county for property tax reductions granted in border city enterprise zones. To use this option, the city must notify the Commissioner of Revenue by October 1 of each calendar year of the amount of property tax reduction it seeks reimbursement for during the following year and the governmental units to which the amounts will be paid. The commissioner may require substantiation. Reimbursements will be paid by December 26. Any amount transferred under this authority will reduce the amount of tax credit certificates available.

Sections 1 through 10 are effective for property tax incentives the day following final enactment, except for Section 5 which is effective for tax reductions received in the first calendar year after the day following final enactment and thereafter.

CHAPTER 389, ARTICLE 16: KOOCHICHING COUNTY ENTERPRISE ZONE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 23 allocates \$500,000 to the Koochiching County enterprise zone. This money is to be used to offset taxes on businesses located in the enterprise zone, but only if the offset is necessary to retain or attract businesses. (Adds M.S. 469.169, subd. 12.)

Section 23 is effective the day after final enactment.

CHAPTER 389, ARTICLE 16: SAINT PAUL ENTERPRISE ZONE ESTABLISHED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 24 adds a Saint Paul transit zone to the list of properties eligible for designation as an enterprise zone. (Amends M.S. 469.303.)

Section 24 is effective April 22, 1998.

D. Tax Increment Financing/Fiscal Disparities

Tax Increment Financing: General Provisions

CHAPTER 366: DEDUCTION FOR ENFORCEMENT COSTS - CHANGE

(S.F. 3354: 1998 Omnibus State Departments Bill)

Section 79 increases the office of the state auditor's Tax Increment Financing (TIF) tax deduction for enforcement costs from 0.10 percent to 0.25 percent. (Amends M.S. 469.177, subd. 11.)

The new 0.25 percent deduction rate is effective for tax increments distributed to a TIF authority or municipality after June 30, 1998.

CHAPTER 389, ARTICLE 11: DECERTIFICATION OF TIF DISTRICT DEFINED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 1 defines decertification of a TIF district as occurring when the county auditor removes all remaining parcels from the district. (Adds M.S. 469.174, subd 28.)

Section 1 applies to all TIF districts, regardless of certification date.

CHAPTER 389, ARTICLE 11: TIF DISCLOSURE DEADLINES - CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 2 changes the deadline for filing the annual disclosure statement with the county, school district and state auditor from July 1 to August 1. (Amends M.S. 469.175, subd. 5.)

Section 2 also changes the deadline for newspaper publication from July 1 to August 15. It also requires the district to notify the state auditor in which newspaper the disclosure is to be published.

Section 2 is effective for disclosures and reports required in 1999 and thereafter.

CHAPTER 389, ARTICLE 11: TIF ANNUAL FINANCIAL REPORT DEADLINE - CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 3 changes the deadline for filing the annual financial report with the state auditor from July 1 to August 1. (Amends M.S. 469.175, subd. 6.)

Section 3 is effective for reports required in 1999 and thereafter.

CHAPTER 389, ARTICLE 11: TIF ANNUAL DEBT REPORT DEADLINE - CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 4 changes the deadline for filing the annual report of debt with the state auditor from July 1 to August 1. (Amends M.S. 469.175, subd. 6a.)

Section 4 is effective for reports required in 1999 and thereafter.

CHAPTER 389, ARTICLE 11: DURATION OF TIF DISCLOSURES AND REPORTS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 5 clarifies that the annual publication and reporting requirements apply to a TIF district from

(1) the year the district was certified until (2) the district is decertified and all of the increments from the district have been spent or returned to the taxing districts. (Adds M.S. 469.175, subd. 6b.)

Section 5 applies to all TIF districts, regardless of certification date.

CHAPTER 389, ARTICLE 11: GREEN ACRES AND TIF - CHANGES

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 6 adds "distribution facilities" to the list of Green Acres parcels which can be included in a TIF district. (Amends M.S. 569.176, subd. 7.) The old law allowed only manufacturing projects and qualified housing districts to be included.

continued

A "distribution facility" is described as buildings and other improvements to real property used to conduct at least one of these three activities:

- (1) to store or warehouse tangible personal property,
- (2) to take orders for shipment, mailing or delivery,
- (3) to prepare personal property for shipment, mailing or deliver, and also,
- (4) to ship, mail or deliver property.

A "qualified manufacturing facility" is defined as space used for manufacturing or producing tangible personal property, including processing which results in a change in condition of the property and the space necessary for and related to the manufacturing activities.

Section 6 also requires manufacturing or distribution TIF projects on Green Acres parcels to pay 160 percent of the federal minimum wage to at least 90 percent of the employees.

Section 6 is effective for TIF districts certified after April 30, 1998.

CHAPTER 389, ARTICLE 11: DECERTIFICATION REQUIREMENTS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 7 requires the county auditor to decertify a TIF district when the earliest of one of the following occurs: (Adds M.S. 469.177, subd. 12.)

- (1) the maximum duration limit under the statute is reached,
- (2) the maximum duration limit under the TIF financing plan is reached,
- (3) the Commissioner of Revenue issues a noncompliance order stating that a housing district has failed to comply with the income limitations,
- (4) all of the obligations incurred under the five year rule have been completed and paid, or adequate money is set aside to pay them, or
- (5) the authority requests the county auditor to decertify the district.

Section 7 applies to all TIF districts, regardless of certification date.

CHAPTER 389, ARTICLE 11: SUSPENSION OF TIF DISTRIBUTIONS DUE TO NONCOMPLIANCE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 8 provides for the suspension of increment distribution to a development authority that fails to

publish the newspaper disclosure or to file the required reports with the state auditor, county or school district or if the report does not comply with the law. (Adds M.S. 469.1771, subd 2a.)

Under this section the state auditor is directed to notify the development authority in writing by the third Tuesday of August that the required disclosures or filings have not been received or are incorrect. If the disclosure or report has not been filed by the third Tuesday of November, the state auditor is to notify the county auditor to hold back increments as follows: 25 percent of the increment if the distribution is made in the same year or 100 percent if it is made in the next year.

Section 8 also states that after receipt of the outstanding item(s) the state auditor is to notify the county auditor within 5 days to release the suspended increment. The county auditor is to release the funds within 15 working days of receiving the notice.

Interest earned on suspended increments is to be retained by the county. These funds are not tax increments. Suspension of distribution does not delay the start of duration limits that are dependent upon receiving the first increment. Also, the state auditor's office receives its statutory share of increments, regardless of suspension status.

Section 8 is effective for disclosures and reports required in 1999 and thereafter.

CHAPTER 389, ARTICLE 11: DISTRIBUTION OF PAYMENTS FOR NONCOMPLIANCE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 9 provides that payments required to be made when a TIF district is out of compliance with the law can be distributed to all the taxing districts. (Amends M.S. 469.1771, subd. 5.)

Under current law, the municipality that approved the district does not receive any portion of the payment. This practice will continue if (1) payment is received more than 60 days after the municipality receives notification of the noncompliance from the state auditor, or (2) the county attorney begins an action to compel payment.

Section 9 is effective the day following final enactment and applies to all TIF districts, regardless of certification date.

Tax Increment Financing: Types of Districts

CHAPTER 389, ARTICLE 11: TIF SPECIAL TAXING DISTRICTS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 10 authorizes cities to establish special taxing districts within TIF districts and to levy special taxes to make up deficits caused by changes made to property tax class rates during the 1997 and 1998 legislative sessions. This authority is limited to TIF districts certified before June 2, 1997. (Add M.S. 469.1791.)

To qualify, the city must have:

- (1) a TIF district deficit caused by the 1997 and 1998 reductions in the class rates. A deficit is defined as an inability to pay obligations or contracts entered before June 2, 1997, and
- (2) used any available increments from other TIF districts in the city, regardless of whether they were created by the same development authority.

As an alternative, the city may elect to impose a tax to pay preexisting obligations, even if it does not have a deficit. But, if it does so, it may only use the tax and increments to pay preexisting obligations.

Before levying the additional tax, the governing body of a qualifying city must adopt an ordinance establishing a special taxing district. The ordinance must describe the property to be included and the development or redevelopment services to be provided. Only property that is subject to an assessment agreement or development agreement with the city (or one of its authorities) as of the date of adoption of the ordinance may be included within the special taxing district and be subject to the tax imposed.

Before adopting the ordinance, the city must give public notice and hold a public hearing. Property owners in the district who object on the basis that they are not subject to an assessment or development agreement or that they derive no benefit from the TIF district must do so in writing. The governing body of the city must rule on the objections within 30 days. Property owners may appeal this determination to district court by serving a notice upon the mayor or city clerk. Appeal rights run for 30 days and apply only to those property owners who filed a timely written objection with the city clerk. After receiving a notice of appeal the city has 10 days to file it with the court administrator of the district court.

The amount of tax levied is limited to the lowest of the following:

- (1) the amount specified in the assessment or development agreement,
- (2) the amount needed to pay pre June 2, 1997, obligations after using all available increments, and
- (3) the reduction in taxes resulting from the 1997 and 1998 class rate reductions.

If increments from several districts are pledged to pay obligations and the city elects to impose the special tax in one district, it must do so uniformly in all districts. The tax proceeds may be spent only for items for which increments may be spent. The tax is not subject to levy limits or Truth in Taxation procedures.

The tax is imposed and collected in the same manner and is subject to the same penalties and interest as the general ad valorem tax. The tax is computed without regard to fiscal disparities or capture value. The city, however, is required to certify to the county auditor the amounts of tax for each parcel that is subject to the tax.

Section 10 is effective beginning with taxes payable in 1999.

Tax Increment Financing: Specific Districts

CHAPTER 389, ARTICLE 11: ITASCA COUNTY - TIF SPENDING OF PROCEEDS FROM SALE OF TAX FORFEITED PROPERTY - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 increases the portion of Itasca County tax forfeited land sale proceeds that can be spent for tourism and agricultural or industrial development from \$1 to \$4 per capita.

Section 11 is effective upon the filing of a certificate of approval with the Secretary of State. (See M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: KOOCHICHING COUNTY - TIF SPENDING OF PROCEEDS FROM SALE OF TAX FORFEITED PROPERTY - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 12 increases the portion of Koochiching County tax forfeited land sale proceeds that can be spent for tourism and agricultural or industrial development from \$1 to \$4 per capita.

Section 12 is effective upon the filing of a certificate of approval with the Secretary of State. (See M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: CITY OF GOLDEN VALLEY - TIF EXTENDED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 14 authorizes tax increments from the Valley Square TIF district to be paid to the housing and redevelopment authority of the city of Golden Valley for property taxes payable in 2001 through 2010 for the following parcels in the district: (Identified by property tax ID number)

- (1) 31-118-21-14-0001,
- (2) 31-118-21-14-0006,
- (3) 31-118-21-14-0018 through 31-118-21-14-0022,
- (4) 31-118-21-14-0029 through 31-118-21-14-0032, and
- (5) 31-118-21-41-0001.

These increments may only be used to pay bonds that finance redevelopment within the original project area. Receipt of increments by the housing and redevelopment authority does not reduce or affect the amount of increments that the authority may receive after April 1, 2001, to pay bonds issued before April 1, 1990. (The provisions of Section 14 are not coded in the statutes.)

Section 1 is effective upon the filing of certificates of approval with the Secretary of State. (See. M.S. 469.1782, subd. 2 and M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: CITY OF BROWERVILLE - USE OF TIF FUNDS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 15 exempts TIF district number 2 in the city of Browerville from the restrictions limiting the percentage of increments that may be spent outside the district. Section 15 allows increments to be

spent anywhere within the project area (Development District Number 2) as long as the increments are used for improvements to provide sewer and water service to the TIF district.

Section 15 is effective upon the filing of a certificate of approval with the Secretary of State. (See M.S. 469.1782, subd. 2 and M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: CITY OF DEEPHAVEN - USE OF TIF FUNDS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 16 allows revenues from TIF district number 1-1 in the city of Deephaven to be used to finance a public improvement located outside the district. This public improvement must have been included in the TIF plan prior to January 1, 1997. The city must decertify the district by December 31, 1998. (The provisions in section 16 are not coded in statute.)

The maximum amount of increments that may be used is \$800,000, plus interest earned. The increments must be put into a dedicated account that will be used only to match any funds received for the Minnetonka Boulevard/Carson's Bay Bridge project. Any increments not spent must be returned to the county, school or city as excess increments. If expected matching funds are not received, the \$800,000 must also be returned. No more increments may be spent on district improvements or activities.

Section 16 is effective after the filing of a certificate of approval with the Secretary of State (M.S. 645.021, subd. 3) and applies to revenues expended after April 21, 1998.

CHAPTER 389, ARTICLE 11: CITY OF BURNSVILLE - ADMISSION TAX

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 17 authorizes the city of Burnsville to impose an admission tax for an amphitheater to be constructed within the city. The rate may vary by ordinance but cannot exceed \$2 per paid admission. The city may enter an agreement with the Department of Revenue to collect and administer the tax.

Proceeds from the tax must be deposited into a separate account and may only be used for parking lots, ramps and other public improvements as defined in the special assessment law for the TIF

district authorized by Article 11, Section 18 of this same bill, or to pay the costs of imposing and collecting the tax.

Section 17 is effective April 22, 1998.

CHAPTER 389, ARTICLE 11: CITY OF BURNSVILLE - NEW TIF DISTRICT

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 18 authorizes the city of Burnsville to create a soils condition TIF district for an amphitheater and related infrastructure improvements. The following rules apply:

- (1) The area of the district is limited to that of the city's development district number 2 on April 26, 1990.
- (2) The district need not meet the statutory criteria for creating a soils condition district.
- (3) The limits on spending soils condition district increments do not apply. However, the city must find that the amount spent to close the landfill will equal or exceed the amount of increments that will be collected from the district.
- (4) Increments from the district may only be spent within the district or directly in aid of the district.
- (5) This district has a duration limit of 18 years.

The city must decertify TIF district number 2-1. The increments from that district may be spent for the new district authorized by this bill. This new district will not be subject to the state aid reduction provisions that apply to the duration extension of a district.

Section 18 is effective upon the filing of certificates of approval with the Secretary of State. (See M.S. 469.1782, subd. 2 and M.S. 645.021, subd. 2.)

CHAPTER 389, ARTICLE 11: MCDA - TIF FOR LAKE STREET DISTRICT

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 19 authorizes the Minneapolis Community Development Agency (MCDA) to establish a redevelopment district for the Sears building site in south Minneapolis.

The following rules apply to this district:

- (1) This new district has an extended duration. Increments can be collected for 18 years following the "final phase of redevelopment" which completes the rehabilitation of the site. If

satisfaction of this verbal standard takes longer than seven years after the collection of the first increment, the duration will be extended. The duration cannot exceed 30 years from approval of the TIF plan.

- (2) The original net tax capacity is to be set at zero, rather than using the current value.
- (3) The removal of hazardous substances from the site shall constitute satisfaction of the so called "three year knock-out" and the "four year knock-down" rules.
- (4) The "five year rule," which requires development and redevelopment activities to be in place within five years of certification, is extended to ten years.
- (5) The authority may not spend increments outside the district, except for administrative expenses.

Section 19 is effective upon the filing of certificates of approval with the Secretary of State. (See M.S. 469.1782, subd. 2 and M.S. 645.021, subd. 2.)

CHAPTER 389, ARTICLE 11: CITY OF WEST SAINT PAUL - EXCEPTION TO TIF RULES

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 20 allows a number of exemptions from general law for the Signal Hills Redevelopment TIF district. This section:

- (1) Extends the four year knock-down rule to five years. This rule provides that increments may not be collected from a parcel if no development occurs within that time period.
- (2) Extends the five year rule to nine years. This rule normally requires that all spending be completed, contracts let and bonds issued within five years of certification.
- (3) Extends the three year rule to five years. This rule normally requires that the development authority acquire property, issue bonds or construct public improvements within three years of certification.
- (4) Allows pooling of up to 40 percent of increments if the amounts are spent within the South Robert Street redevelopment TIF district.

Section 20 is effective upon the filing of certificates of approval with the Secretary of State. (See M.S. 469.1782, subd. 2 and M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: CITY OF RENVILLE - TIF EXPANDED AND EXTENDED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 21 adds Lots 5, 6, 7, 8 and 9, Block 32, O'Connor's Addition to TIF district number 1 in the city of Renville and gives them a certification date of November 1, 1994. It further states the original net tax capacity of these lots shall be \$432.

Section 21 also authorizes the city of Renville to collect and expend tax increments generated by these properties in TIF district number 1 until December 31, 2003. This extension is not subject to the state aid offset for special law duration extensions. (The provisions in section 21 are not coded in statute.)

Section 21 is effective upon the filing of a certificate of approval with the Secretary of State. (See M.S. 469.1782, subd. 2 and M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: CITY OF FOLEY - TIF SPENDING VALIDATED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 22 provides that expenditures of tax increments by the city of Foley before January 1, 1998, are authorized expenditures of TIF district number 1. This validates expenditures for a wastewater treatment facility. The city must agree to

- (1) decertify the district by December 31, 1998, and
- (2) return increments not spent to the city, county and school district as excess increments.

Section 22 is effective upon the filing of a certificate of approval with the Secretary of State. (See M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: CITY OF GARRISON TIF - AID OFFSET DELAYED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 23 provides that the state aid reduction for TIF district number 1 in the city of Garrison does not apply for aids paid in fiscal years 1999 and 2000.

Section 23 is effective for aids payable in calendar years 1999 and 2000.

CHAPTER 389, ARTICLE 11: CITY OF NEW BRIGHTON - TIF EXTENSION

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 24 allows the city of New Brighton to extend the five year rule to nine years for redevelopment and soils districts within a defined area of the city. (This rule normally requires that all spending be completed, contracts let and bonds issued within five years of certification.)

Section 24 also allows the city to pool increments from redevelopment and soils districts within this same area without regard to percentage limits. The pooling authority expires 18 years after receipt of the first increment. The authority to create districts expires 2008.

Section 24 is effective upon the filing of a certificate of approval with the Secretary of State. (See M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: MEEKER, KITTSO, BLUE EARTH COUNTIES - EDA

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Sections 25 to 27 allow Meeker Kittson and Blue Earth Counties to establish Economic Development Authorities (EDA) and to levy taxes for their support. The authorities may create economic development districts anywhere within their counties without meeting the "blight test" required of other economic development districts. If a proposed district is located within a city, approval of the governing body of the city is required.

Sections 25 through 27 are effective upon the filing of certificates of approval with the Secretary of State. (See M.S. 645.021, subd. 3.)

CHAPTER 389, ARTICLE 11: CITY OF BROOKLYN CENTER

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 28 allows the city of Brooklyn Center to establish a TIF special taxing district under the rules set forth in Article 11, Section 10 of this same bill.

The following requirements do not apply:

- (1) the preconditions under M.S. 469.1791, subd. 3,
- (2) the objection and appeal provisions under M.S. 469.1791, subd 5 and 6, and
- (3) the limits on the maximum levy and the use of proceeds under M.S. 469.1791, subd. 9.

The authority to impose the tax is limited to property subject to an assessment agreement and the tax is limited to the maximum amount that is specified in the agreement.

Section 28 is effective upon the filing of a certificate of approval with the Secretary of State. (See M.S. 645.021, subd. 3.)

Fiscal Disparities

CHAPTER 389, ARTICLE 2: HACA FISCAL DISPARITY - TAX BASE DIFFERENTIAL

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 15 states that for aids payable in 2000, for purposes of computing the HACA fiscal disparity adjustment only, the tax base differential is 0.2 percent of the assessment year 1998 taxable market value of class 3 commercial/industrial property over \$150,000.

Section 15 is effective April 22, 1998.

E. Property Tax Aids, Credits, and Reimbursements

Property Tax Aids

CHAPTER 383, ARTICLE 1: EARLY PAYMENTS IN TORNADO AREAS

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 12 authorize the early payment of Homestead and Agricultural Credit Aid (HACA) and Local Government Aid (LGA) to qualified local units of government in tornado counties (Blue Earth, Brown, Cottonwood, Le Sueur, Nicollet, Nobles and Rice). For the purpose of this section "qualified local unit of government" means counties, home rule charter or statutory cities and towns that suffered damage in the tornado and storms of March 29, 1998. Payments of HACA and LGA that are otherwise payable on July 20, 1998, shall be made as soon as possible after the day of final enactment.

Section 12 is effective for aids payable in 1998.

CHAPTER 389, ARTICLE 2: HACA PAYMENTS REDUCED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 16 reduces each county's Homestead and Agricultural Credit Aid (HACA) payment by one third of the amount the county receives from the additional appropriation for Family Preservation Aid. (Amends M.S. 273.1398, subd. 2.)

Section 16 is effective for aids payable in 2000.

CHAPTER 389, ARTICLE 3: FLOOD LOSS REPLACEMENT AID

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 10 establishes an aid program for counties that sustained a significant loss to their tax base as a result of the 1997 floods. (Adds M.S. 273.1383.)

For assessment years 1998, 1999 and 2000, county assessors in Polk, Clay, Kittson, Marshall, Norman and Wilkin Counties are instructed to calculate flood related net tax capacity loss using current year market values and assessment year 1997 class rates. This computed net tax capacity is then compared to the actual assessment year 1997 net tax capacity for each county. If the computed net tax capacity is less

than the actual assessment year 1997 net tax capacity, and if the difference is at least 5 percent of the actual assessment year 1997 taxable net tax capacity, the county government is eligible for flood loss aid which is based on the difference in net tax capacity. Qualifying counties have until August 1 of the assessment year to report their tax base losses.

This flood loss replacement aid net tax capacity is not used in determining property taxes. It is used for flood loss aid determination only.

Section 10 instructs the Commissioner of Revenue to determine each county's initial aid amount. If the sum of each county's initial aid exceeds the funds appropriated, aid payments will be proportionally reduced. The Commissioner of Revenue is to notify each county of its flood loss aid amount by August 15 of the assessment year. Aids are to be paid on or before July 20 of the taxes payable year.

Flood loss replacement aid will be deducted when determining a county's overall levy limitation beginning with taxes payable year 1999. Appropriations for this aid are as follows: \$1,700,000 for fiscal year 2000 (calendar year 1999) and \$1,500,000 for fiscal years 2001 and 2002 (calendar years 2000 and 2001).

Section 10 is effective for aids payable in calendar years 1999, 2000 and 2001.

CHAPTER 389, ARTICLE 2: HACA FISCAL DISPARITY - TAX BASE DIFFERENTIAL

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 15 states that for aids payable in 2000, for purposes of computing the HACA fiscal disparity adjustment only, the tax base differential is 0.2 percent of the assessment year 1998 taxable market value of class 3 commercial/industrial property over \$150,000.

Section 15 is effective beginning with aids payable in calendar year 2000.

CHAPTER 389, ARTICLE 3: HACA ERRORS - CORRECTION ALLOWED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 14 allows taxing jurisdictions which have made Homestead and Agricultural Credit Aid

(HACA) subtraction errors on their final levies to apply to the Commissioner of Revenue to recertify their final levies. (Adds M.S. 275.07, subd. 5.)

Requests for corrections must be received by January 2 and the commissioner must notify the jurisdiction by January 15 of the changes to be allowed. The taxing jurisdiction must publish the revised levy in its official newspaper, along with examples of the tax impact on various property types.

The county auditor is to assist the taxing jurisdiction in preparing the examples for publication.

Section 14 is effective for taxes payable in 1999 and thereafter.

CHAPTER 389, ARTICLE 4: LOW INCOME HOUSING AID - EXISTING PROPERTY

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 10 creates a new aid program for cities that sustain a loss of at least 2.5 percent of their tax capacity due to the conversion of apartments to the new class 4d. (Adds M.S. 477A.06, subd. 1 through 3.)

Section 10 directs the assessor to determine the difference between the actual net tax capacity of all class 4d properties for which construction was begun before January 1, 1999, and the net tax capacity that would have been in effect if the class rates for assessment year 1997 were in effect.

In calendar years 1999, 2000 and 2001, the aid will be equal to the tax capacity loss in excess of 2.5 percent (based on payable 1998 values), multiplied by the city government's average local tax rate for taxes payable in 1998.

By June 30 of the assessment year, the county assessor must notify the Commissioner of Revenue of the tax capacity loss of each qualifying city. The commissioner will notify each city of its qualifying aid amount by August 15 of the assessment year. Aid payments will be made on or before July 20 of each taxes payable year.

Aids under this provision cannot exceed \$1,500,000 each year for fiscal years 2001 and 2002. If the total computed aid amounts for either of these years exceeds the appropriation, the aid amount for each qualifying city will be reduced proportionally. This aid is deducted when determining a city's overall levy limitation beginning with taxes payable year 1999.

Section 10 is effective for aids payable in 1999, 2000 and 2001.

CHAPTER 389, ARTICLE 4: LOW INCOME HOUSING AID - NEW CONSTRUCTION

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 establishes a new city aid program based on the value of class 4d housing constructed after January 1, 1999. (Adds M.S. 477A.065, subd. 1 through 3.)

The aid will be equal to 1.5 times the net tax capacity of the 4d properties for the assessment year corresponding to the taxes payable year, multiplied by the city government's average local tax rate for the previous taxes payable year.

Section 11 directs the county assessor to notify the Commissioner of Revenue of this figure by June 30 of each assessment year. The commissioner will notify each city of its qualifying aid amount by August 15 of the assessment year. Aid payments will be made on or before July 20 of each taxes payable year. This aid is deducted when determining a city's overall levy limitation beginning with taxes payable year 2001.

Section 11 is effective for aids payable in 2001 and thereafter.

Property Tax Credits

CHAPTER 389, ARTICLE 2: EDUCATION HOMESTEAD CREDIT - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 13 increases the education homestead credit rate from 32 percent to 68 percent for taxes payable in 1999 and to 69 percent for taxes payable in 2000 and thereafter. (Amends M.S. 273.1382, subd. 1.)

Section 13 also increases the maximum credit amount per homestead from \$225 to \$320 for taxes payable in 1999 and to \$335 for taxes payable in 2000 and thereafter.

Section 14 directs the Commissioner of Revenue to adjust the education homestead credit rate in year 2000 or 2001 if subsequent acts cause the general education levy to increase. (Adds M.S. 273.1382, subd. 1a.)

Sections 13 and 14 are effective April 22, 1998.

CHAPTER 389, ARTICLE 2: DISPARITY REDUCTION CREDIT - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 17 increases the border city disparity reduction credit for class 3a (commercial/industrial) and class 3b (employment) property. Under this amendment the credit will reduce the taxes levied on class 3a and class 3b properties to 2.3 percent of market value. (Amends M.S. 273.1398, subd. 4.)

Section 17 is effective April 22, 1998.

F. Local Government Aid (LGA)

General Provisions

CHAPTER 383, ARTICLE 1: EARLY AID PAYMENTS IN TORNADO AREAS

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 12 authorize the early payment of local government aid (LGA) and homestead and agricultural credit aid (HACA) to qualified local units of government in tornado counties (Blue Earth, Brown, Cottonwood, Le Sueur, Nicollet, Nobles and Rice). For the purpose of this section, "qualified local unit of government" means counties, homerule charter or statutory cities and towns that suffered damage in the tornado and storms of March 29, 1998. Payments of HACA and LGA that are otherwise payable on July 20, 1998, shall be made as soon as possible after the day of final enactment.

Section 12 is effective for aids payable in 1998.

LGA for Cities

CHAPTER 389, ARTICLE 4: CITY AID BASE - INCREASES IN CERTAIN CITIES

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 7 makes changes to the city aid base of two cities. (Amends M.S. 477A.011, subd 36.)

This section increases the city aid base for Oak Grove by \$200,000 beginning in 1999 and increases the city aid base for Coon Rapids by \$450,000 for ten years (1999 through 2008).

This section also rolls the amount of Existing Low Income Housing Aid received in the year 2001 under Article 4, Section 10 of this same bill into each affected city's aid base beginning in the year 2002.

Section 7 is effective for aids payable in 1999 and thereafter.

CHAPTER 389, ARTICLE 4: LGA - CITY OF COON RAPIDS - EARLY PAYMENT

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 12 allows the city of Coon Rapids to receive all of its additional 1999 Local Government Aid (LGA) on July 20, 1999. This will allow the city to make a timely bond payment.

Section 12 is effective for aids payable in 1999 only.

CHAPTER 389, ARTICLE 4: LGA -TEMPORARY INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 13 provides temporary Local Government Aid (LGA) increases to the cities of East Grand Forks and Warren to assist with the cost of rebuilding or constructing new dikes or levees.

East Grand Forks will receive an additional \$9,200,000 in calendar year 1998 and an additional \$4,600,000 in calendar year 1999.

Warren will receive an additional \$800,000 in calendar year 1998 and an additional \$400,000 in calendar year 1999. These amounts are not to be included in calculating any other aids or levy limits.

Section 13 is effective for aids payable in 1998 and 1999 only.

G. Truth in Taxation

Certification of Budgets and Levies

CHAPTER 389, ARTICLE 3: LEVY CERTIFICATION - CORRECTION OF ERRORS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 14 allows taxing jurisdictions which have made Homestead and Agricultural Credit Aid (HACA) subtraction errors on their final levies to apply to the Commissioner of Revenue to recertify their final levies. (Adds M.S. 275.07, subd. 5.)

Requests for corrections must be received by January 2 and the commissioner must notify the jurisdiction by January 15 of the changes to be allowed. The taxing jurisdiction must publish the revised levy in its official newspaper, along with examples of the tax impact on various property types. The county auditor is to assist the taxing jurisdiction in preparing examples for publication.

Section 14 is effective for taxes payable in 1999 and thereafter.

Mailed Notices

CHAPTER 389, ARTICLE 3: TRANSIT LEVIES - INFORMATION ON TNT NOTICE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 12 permits a city or town that exercises its local option on transit services to itemize the amount of the levy attributable to that service on the proposed property tax (Truth in Taxation) notice. (Amends M.S. 275.065.)

Section 12 further provides that the first year this local option is exercised, the proposed property tax statement must include an estimate of the reduction in the metropolitan council's tax on the parcel due to choosing this option. (See *PROPERTY TAX LEVIES AND LEVY LIMITATIONS: SPECIAL TAXING DISTRICT LEVIES*, earlier in this summary.)

The metropolitan council's levy shall be adjusted accordingly.

Section 12 is effective beginning with notices prepared in 1998, for taxes payable in 1999.

Published Notices

CHAPTER 389, ARTICLE 3: LEVY CERTIFICATION - CORRECTION OF ERRORS

(H.F. 3840, S.F. 2985: Omnibus Tax Bill)

Section 14 states that taxing jurisdictions that are allowed to recertify their final levy due to Homestead and Agricultural Credit Aid (HACA) subtraction errors (see *CERTIFICATION OF BUDGETS AND LEVIES* earlier in this section) must publish the revised levy in its official newspaper, along with examples of the tax impact on various property types. (Adds M.S. 275.07, subd. 5.)

Section 14 is effective for taxes payable in 1999 and thereafter.

Public Hearings

CHAPTER 389, ARTICLE 3: TRUTH IN TAXATION HEARINGS - DAY CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 13 changes various Truth in Taxation hearing dates. (Amends M.S. 275.065, subd. 6.)

Section 13 changes the date for county initial hearings from the second Tuesday to the first Thursday in December.

Section 13 also changes the date for the joint initial Truth in Taxation hearing held by the metropolitan special taxing districts from the first Monday of December to the first Wednesday of December. Continuation hearings are moved from the second Monday to the second Wednesday of December even if that second Wednesday is after December 10.

This section also reserves the first two Mondays in December as potential hearing dates for cities. If no city within a school district selects these days or does not certify these days to the county auditor by September 15, they become available to the school districts.

Section 13 is effective for public hearings held in 1998 and thereafter.

H. Property Tax Collection and Distribution

Property Tax Statements

CHAPTER 389, ARTICLE 5: SENIOR CITIZEN TAX DEFERRAL - INFORMATION REQUIRED ON PROPERTY TAX STATEMENTS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 2 states that information about the senior citizens property tax deferral program must appear on property tax statements.

Section 2 is effective for statements prepared in 1998 for taxes payable in 1999 and thereafter.

I. Property Tax Refund

Renter's Refund Program

CHAPTER 389, ARTICLE 2: RENT CONSTITUTING PROPERTY TAX - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Sections 18 and 19 increases the definition of "rent constituting property tax" from 18 percent to 19 percent of gross rent paid. (Amends 290A.03, subd. 11 and subd. 13.)

This change is effective April 22, 1998.

NOTE: See the heading *REFUNDS AS DEDUCTIONS ON TAX STATEMENTS* later in this section for information on the Property Tax Rebate for renters and homeowners.

Refunds as Deductions on Tax Statements

CHAPTER 304, ARTICLE 1: 1997 PROPERTY TAX REBATE - INCLUDES PREPAID TAX

(S.F. 2041: Changes to 1997 Rebate)

Section 1 allows people who prepaid their 1997 property taxes to be eligible for the 1997 Property Tax Rebate. Early payments did not qualify under the initial legislation.

Section 1 is effective March 19, 1998.

CHAPTER 389, ARTICLE 1: 1997 PROPERTY TAX REBATE - INCLUDES SOME RENTED FARM LAND

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 3 changes the 1997 Property Tax Rebate program as it applies to agricultural property. In the case of agricultural land assessed as part of a homestead, the credit can now be calculated on all property taxes on the homestead-up to 320 acres-even if a portion of the land is rented out, except to the extent the owner is required by law to furnish a rent certificate to a tenant renting a part of the farm homestead.

The 1998 Property Tax Rebate program contains a

similar provision, but the original 1997 Rebate legislation did not.

Section 3 is effective April 22, 1998.

CHAPTER 389, ARTICLE 1: 1998 PROPERTY TAX REBATE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 1 provides for a property tax rebate program for taxes assessed in 1997, payable in 1998, and paid by January 1, 1999.

The new program is very similar to the 1997 property tax rebate, except the maximum credit is \$1,500. Again the rebate will be a credit claimed on taxpayers' state income tax returns. The credit will again be 20 percent of qualifying homestead property taxes or 20 percent of the amount of rent constituting property taxes.

This section further states that in the case of two or more unmarried renters, it will be assumed the rent is shared equally and each renter should only apply for their fractional portion. Individuals who both owned and rented during the year can qualify for a rebate on both amounts.

In the case of agricultural land assessed as part of a homestead, the credit can be calculated on all property taxes on the homestead-up to 320 acres-even if a portion of the land is rented out, except to the extent the owner is required by law to furnish a rent certificate to a tenant renting a part of the farm homestead.

Taxpayers applying for the rebate will again need to include a property tax statement.

Section 2 states that funding for this rebate is to come from the property tax reform account.

Sections 1 and 2 are effective April 22, 1998.

J. Property Tax Delinquency

General Provisions

CHAPTER 383, ARTICLE 1: EXTENSION FOR PAYMENT OF BUSINESS PROPERTY TAXES

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 22 extends the due date for business property taxes in tornado counties. Penalties will not accrue if, because of a natural disaster, a taxpayer is unable to pay the first half of the payable 1998 property taxes on class 3a or 3b property located in an area designated under the Presidential Declaration of Major Disaster DR1212, whether included in the original declaration or added later by federal action, as long as they are able to pay the first half by October 15, 1998. This includes Blue Earth, Brown, Cottonwood, Le Sueur, Nicollet, Nobles and Rice Counties.

If the first half is paid after October 15, 1998, all penalties which would have accrued on after May 15, 1998 will be charged on the amount of the unpaid tax. When making the October 15 payment, the property tax payer should include a statement that the property is located in the disaster area and qualified for an extension under this section.

Penalty Assessment

CHAPTER 389, ARTICLE 3: LOW INCOME HOUSING PENALTIES

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 21 allows for penalties to be charged to property owners who fail to comply with rent restriction agreements, income restrictions, minimum housing quality standards, or the Section 8 availability requirements for class 4d property. (Amends M.S. 462A.071, subd. 8.)

In addition to being required to pay the additional taxes which would have been imposed if the unit(s) had not been classified 4d, section 21 imposes a penalty of 10 percent of the increased taxes.

Penalties collected are to be deposited in the housing development fund.

Section 21 is effective beginning with taxes assessed in 1998, payable in 1999.

K. Tax-Forfeited Land

Sale/Conveyance of Tax-Forfeited Land

CHAPTER 389, ARTICLE 11: ITASCA COUNTY - SPENDING OF PROCEEDS FROM SALE OF TAX FORFEITED PROPERTY - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 11 increases the portion of Itasca County tax forfeited land sale proceeds that can be spent for tourism and agricultural or industrial development from \$1 to \$4 per capita.

Section 11 is effective upon the filing of a certificate of approval with the Secretary of State. (M.S. 645.021, subd. 3)

CHAPTER 389, ARTICLE 11: KOOCHICHING COUNTY - SPENDING OF PROCEEDS FROM SALE OF TAX FORFEITED PROPERTY - INCREASE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 12 increases the portion of Koochiching County tax forfeited land sale proceeds that can be spent for tourism and agricultural or industrial development from \$1 to \$4 per capita.

Section 12 is effective upon the filing of a certificate of approval with the Secretary of State. (M.S. 645.021, subd. 3)

L. Miscellaneous Laws

General Provisions

CHAPTER 383, ARTICLE 1: TORNADO AND OTHER NATURAL DISASTERS - SHARING OF RESOURCES

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 19 states that in an emergency situation, one political subdivision may request assistance of another political subdivision, including the use of personnel, equipment or supplies. In such cases, for the purposes of worker's compensation insurance, employees, officers and members of the sending subdivision have the same powers, duties, rights, privileges and immunities as if they were performing similar services in the sending political subdivision. They are considered to be acting within the scope of their regular employment and remain employees of the sending political division, unless there is a written agreement between the political subdivision establishing different rules.

Under Section 19, the sending political subdivision is responsible for any damages to equipment and the receiving political subdivision will reimburse the sending subdivision for any supplies used and compensation paid to the workers furnished. The receiving subdivision shall also reimburse the sending subdivision for actual travel and maintenance expenses incurred. Claims for loss, damage or expense in using equipment or supplies or for additional expenses incurred in operating or maintaining them must be made within 90 days after the expense is incurred. An itemized notice, verified by a municipality officer having knowledge of the facts is to be filed with the clerk of the receiving political subdivision.

Section 19 is effective retroactive to March 29, 1998.

CHAPTER 389, ARTICLE 3: USE OF "IN LIEU OF TAX" FUNDS

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 26 allows the proceeds from in lieu of tax payments on natural resource lands in unorganized townships to be used for maintenance of township

roads rather than to reduce the property tax levy as is required under current law. (Amends M.S. 477A.14.)

Section 26 is effective for payments made to counties after June 30, 1998.

Mortgage Registration and Deed Taxes (MRT/DT)

CHAPTER 389, ARTICLE 3: MRT/DT - PROPERTY IN MORE THAN ONE COUNTY

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 15 changes the requirements for mortgage registration tax (MRT) and deed taxes (DT) for property located in more than one county. (Amends M.S. 287.08.)

Under this provision the MRT and DT for properties located in more than one county must be apportioned among the counties *only* if the mortgage is greater than \$1,000,000. Under the old law, all such mortgage taxes had to be apportioned.

Section 15 is effective for mortgages recorded or registered on or after July 1, 1998.

Solid Waste Management Tax

CHAPTER 383, ARTICLE 1: NO FEES FOR DISPOSAL OF TORNADO DEBRIS

(H.F. 3862, S.F. 3411: Tornado Relief Bill)

Section 15 contains a waiver of solid waste management tax for construction debris generated from repair and demolition activities in the area under Presidential Declaration of Major Disaster DR1212, (Blue Earth, Brown, Cottonwood, Le Sueur, Nicollet, Nobles and Rice Counties) due to tornado and other weather damage on March 29, 1998.

Section 15 further states that this waste is to be disposed of in a waste management facility designated by the Commissioner of the Pollution Control Agency.

The Commissioner of Revenue's authority to waive this tax expires after March 31, 1999.

CHAPTER 389, ARTICLE 16: SOLID WASTE MANAGEMENT TAX - MORATORIUM FOR FLOOD DEBRIS EXTENDED

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 25 extends the moratorium on solid waste management taxes on construction debris in counties designated as disaster areas as a result of the 1997 floods.

The new deadline is June 30, 1998, which is a 6-month extension.

Section 25 is effective the day after final enactment.

Taconite Tax

CHAPTER 389, ARTICLE 10: TACONITE PAYMENT RATIO - CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 1 changes the ratio used to apportion taconite payments received by school districts to a uniform 95 percent. (Amends M.S. 124.918, subd. 8.)

These amounts are deducted from the local school district's levies and state aids increase as a result.

Section 1 is effective for taxes levied in 2000.

CHAPTER 389 ARTICLE 10: MAXIMUM TACONITE HOMESTEAD CREDIT - CHANGE

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 2 removes the old limitation on the taconite homestead credit, which was 95 percent of the base year tax. (Amends M.S. 273.135, subd. 2.)

The new maximum credit amount is set at the 1998 levels.

Section 2 is effective for taxes payable in 1999.

CHAPTER 389 ARTICLE 10: SUPPLEMENTAL TACONITE HOMESTEAD CREDIT

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 3 removes the limitation on the taconite homestead credit for properties outside the taconite tax relief area (e.g., Deer River, Floodwood). (Amends M.S. 273.1391, subd. 2.)

The new maximum credit amount is set at the 1998 level which is \$289.80.

Section 3 is effective for taxes payable in 1999.

CHAPTER 389, ARTICLE 10: TAX RATE FREEZE + ADDITIONAL TAX

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 9 freezes the taconite production tax rate for the 1998 production year at \$2.141 per ton, which is the 1997 production year level. (Amends M.S. 298.24, subd. 1.)

Section 9 also imposes an additional tax on concentrates produced in 1997 and thereafter. The tax is equal to three cents per ton for each one percent that the iron content of the product exceeds 72 percent when dried at 212 degrees Fahrenheit.

Section 9 is effective April 22, 1998.

CHAPTER 389, ARTICLE 10: MINING CITY DISTRIBUTIONS - NEW

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 10 states that beginning with distributions in 2000, cities or towns within three miles of a taconite mine will receive a distribution of 4 cents per ton of taconite produced at the adjacent mine. (Amends M.S. 298.28, subd. 2.)

If a city or town is located near more than one mine, they are eligible to receive the aid calculated only on the mine producing the largest taxable tonnage. If more than one city or town is located within the 3 mile radius of a mine, the aid is to be apportioned among the municipalities according to population.

Section 10 specifies that one half of this aid must be used for infrastructure improvements and one half must be used for cooperative projects between two or more municipalities. A report to the Iron Range Resources and Rehabilitation Board (IRRRB) and its commissioner is required for the cooperative activities.

Section 10 is effective for distributions in 2000 and thereafter.

**CHAPTER 389, ARTICLE 10: TACONITE
TAX RELIEF ACCOUNT - CHANGES**

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 13 increases the production tax distribution to the taconite tax relief account (which funds the taconite homestead credit) from 33.46 cents per ton to 38.81 cents per ton. This section also changes the distribution to mining school districts with power plants from .5625 cents per ton to .7282 cents. (Amends M.S. 298.28, subd. 6.)

Section 13 is effective for production year 1998, distributions made in 1999.

**CHAPTER 389, ARTICLE 10: ECONOMIC
PROTECTION FUND**

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 15 provides for the distribution of 3.35 cents per taxable ton to be paid to the Northeast Minnesota Economic Protection Trust Fund in 1999. (Amends M.S. 298.28, subd. 9.)

Section 15 is effective for the 1999 distribution.

**CHAPTER 389, ARTICLE 10: EXTENDS
TACONITE ECONOMIC DEVELOPMENT
FUND**

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 16 extends the 15.4 cents per ton distribution to the Taconite Economic Development Fund until the year 2000. (Amends M.S. 298.28, subd. 9a.)

Section 16 is effective for distributions through the year 2000.

**CHAPTER 389, ARTICLE 10: TACONITE
ENVIRONMENTAL PROTECTION FUND -
EXTENDED**

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 17 extends the five cents per ton distribution to the Taconite Environmental Fund until the year 2000. (Amends M.S. 298.28, subd. 9b.)

Section 17 is effective for distributions through the year 2000.

**CHAPTER 389 ARTICLE 10: IRRRB - VALUE
ADDED GRANTS/LOANS EXTENDED**

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 20 extends the authority of the Iron Range Resources and Rehabilitation Board (IRRRB) to make various grants and loans to producers of value added iron products through June 30, 1999. (Amends M.S. 298.296, subd. 4.)

This IRRRB authority expires June 30, 1999.

**CHAPTER 389, ARTICLE 10: HIBBING/
CHISHOLM AIRPORT INDUSTRIAL PARK**

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 22 provides for grant funds to be distributed by the IRRRB to the cities of Hibbing and Chisholm for the establishment of an industrial park to be located at the Hibbing/Chisholm airport. These funds are to be equal to those set aside for an Aurora/Hoyt Lakes industrial park under the 1997 Omnibus Tax Bill.

Section 22 is effective for production year 1998, distributions made in 1999.

M. New Property Tax Programs

Senior Citizens Property Tax Deferral

CHAPTER 389 ARTICLE 5: SENIOR CITIZENS PROPERTY TAX DEFERRAL

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

NOTE: Since its introduction in the 1997 Omnibus Tax Bill, the Senior Citizens Property Tax Deferral program has undergone a number of legislative changes, during special sessions and again in the 1998 Omnibus Tax Bill. For the sake of clarity, rather than a summary of just the changes to the original law, here is a summary of the program as it currently exists.

The Senior Citizens Property Tax Deferral program allows people 65 years of age, or older, to defer a portion of their homestead property taxes. The program begins with property taxes payable in 1999. This is *not* a tax forgiveness program. The deferred tax is paid by the state and interest will be charged. The interest rate will be adjusted annually, but will not exceed 5 percent.

In order to qualify for this program, *all* of the following conditions must be met:

- (1) The property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, both must be at least 65 when the first deferral is granted. The homestead can be classified as residential, agricultural, or it may be part of a multi-unit building. Deferral for agricultural property is limited to the house, garage and one acre.
- (2) The total household income may not exceed \$30,000 for the calendar year preceding the year of initial application.
- (3) The home must have been owned and occupied as the homestead of at least one of the homeowners for at least 15 years prior to the year of initial application.
- (4) There must be no delinquent property taxes, penalties or interest on the property.
- (5) There must be no delinquent special assessments on the property.
- (6) There must be no state or federal tax liens or judgment liens on the property.
- (7) The total unpaid balance of debts secured by mortgages and other liens against the property must not exceed 30 percent of the estimated market value of the property.

Applications for deferral of 1999 property taxes are due August 1, 1998. All future applications will be due July 1 to defer a portion of the following year's tax. Taxpayers may apply in the year in which they become 65 years old, but no deferral will be allowed until the following year.

As part of the initial application, participants will need to provide a report detailing any mortgages, liens, judgments or unpaid property taxes on the property. The report must be dated within 30 days of application. These reports need not include references to any documents recorded more than 40 years prior to the date of the report.

Depending on the type of property owned, applicants will need:

For "**Abstract**" property: a report from a licensed abstracter showing the last deed recorded and any unsatisfied liens or judgments. Such a report is sometimes called an "Owners and Encumbrances" report.

For "**Torrens**" property: a copy of the "Original Certificate of Title" or a "Condition of Register" from the county recorder.

The Commissioner of Revenue is authorized to use any information available to determine or verify eligibility for this program. Once deferral begins, a lien will be filed with the county. Lien filing fees are the responsibility of the program participant. This lien is not to be construed as delinquent property taxes. In any certification of unpaid taxes, the county auditor is directed to clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes.

Once enrolled in the program participants will not need to reapply. However, if income exceeds \$30,000 in a calendar year, they are to notify the Department of Revenue, in writing, by July 1 of the following year. No further deferral will be allowed until household income again falls below \$30,000. It will be the taxpayer's responsibility to reapply. The deferred taxes and interest do not become due simply because a participant has excess income and temporarily leaves the program.

Failure to notify the state of excess income can result in a penalty equal to 20 percent of the property taxes improperly deferred. If a taxpayer knowingly files a false application or knowingly fails to

file an excess income certification, a 50 percent penalty can be applied.

Following approval of the initial application or a reapplication, the Commissioner of Revenue will determine and certify each qualifying homeowner's "annual maximum property tax amount." This amount will equal 5 percent of the homeowner's household income in the year preceding application. For purposes of this deferral program, household income is defined as all income received in a calendar year by the claimant and the claimant's spouse living in the same household. (This definition is also used for the disabled homestead classification and is less stringent than the definition used for the property tax refund program.)

While in this program, participants will pay this 5 percent figure toward their property taxes each year, no matter how high their property taxes actually are. The rest will be deferred. This figure will remain constant, despite any income fluctuations which may occur. If excess income causes a participant to drop out of the program, a new five percent figure will be calculated upon reapplication.

The Commissioner of Revenue will also determine and certify the homeowner's "maximum allowable deferral." The maximum allowable deferral will equal 75 percent of the estimated market value for the year, minus the balance of any mortgages or other secured interests, including any unpaid special assessments, but not including property taxes payable during that year. If this 75 percent figure is reached, no further taxes will be deferred.

For purposes of the property tax refund, the qualifying tax will be the full amount of tax assessed, including the deferred portion. During participation, property tax refunds, rebates, income tax refunds, political contribution refunds and lottery winnings will be subject to revenue recapture and deducted from the deferred taxes. If the refund amount exceeds the deferred taxes, a check for the difference will be sent.

County auditors are directed to send annual notifications to participants by July 1 of each year. This notice must include information on the current year's deferred taxes and the total cumulative deferred taxes and accrued interest as of that date.

Deferral of taxes will terminate when any one of the following occurs:

- (1) The property is sold or transferred.
- (2) The qualifying homeowner dies.

- (3) The homeowner notifies the Commissioner of Revenue, in writing, that he/she wishes to discontinue the program.
- (4) The property no longer qualifies as a homestead.

Upon termination of the deferral, the deferred taxes, interest and any unpaid filing fees become due and payable. If the property is sold or the homeowner dies, payment is due within 90 days of termination. If the homeowner voluntarily leaves the program or the property ceases to qualify as a homestead, payment is due within one year of termination. No additional interest will be charged if timely paid. If the deferral is not timely paid, penalty, interest, lien, forfeiture and other rules for the collection of property taxes will apply.

Once full payment is received, the Commissioner of Revenue will notify the county auditor within ten days, identifying the parcel and remitting any recording or filing fees due the county. The auditor is to prepare a notice of termination of deferral, containing the legal description of the property and the filing data used for the notice of qualification. This notice of termination is to be recorded or filed and a copy sent to the property owner.

If property for which taxes have been deferred forfeits for nonpayment of nondeferred property taxes, or for nonpayment of deferred amounts following a termination, the lien for deferred taxes and interest shall be canceled by the county auditor. However, any proceeds from a subsequent sale of the property must be used first to reimburse the county's forfeited tax sale fund for any direct costs of the sale or costs related to preparing the property for sale, and then to the state for the amount of the canceled lien.

The county auditor has 90 days following the receipt of sale proceeds to remit the funds to the Department of Revenue for deposit into the general fund. No other deposit, use, distribution or release of gross sale proceeds can be made by the county until payment sufficient to fully reimburse the state for the canceled lien amount has been transmitted to the Commissioner of Revenue.

The county auditor is also directed to determine the total current year's amount of property tax deferred in the county under this program and to submit those amounts as part of the abstracts of tax lists. After reviewing the abstract and making any necessary changes, the Commissioner of Revenue will pay the deferred amount of property tax to each

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county treasurer on or before August 31. The treasurer is to distribute these funds as part of the October settlement, as if they had been collected as part of the property tax.

The Department of Revenue is directed to include information about the deferral program in the instruction booklet for the regular property tax refund. Counties are to include this information on property tax statements.

This program is effective starting with taxes levied in 1998, payable in 1999 and thereafter.

Use of Future Budget Reserves

CHAPTER 389 ARTICLE 9: EXCESS REVENUE - FOR TAX REFORM AND REDUCED BORROWING

(H.F. 3840, S.F. 2985: 1998 Omnibus Tax Bill)

Section 1 reserves sufficient revenue from any forecast surpluses to bring the budget reserve to \$622 million in November of odd numbered years.

Section 2 establishes a Tax Reform and Reduction Account, to be used for tax reform and reduction. The governor is to propose to the Legislature how this account is to be used. This section also allocates any surplus from the November 1998 forecast in the following order of priority:

- (1) To restore the budget reserve to \$622 million.
- (2) The next \$200 million is to go into the Tax Reform and Reduction Account.
- (3) The next \$400 million is to be used to reduce the amount of bonding to pay for capital projects authorized in the 1998 bonding bill.

Any surplus above these amounts will be deposited in the general fund.

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