DEPARTMENT OF REVENUE

PROPERTY TAX
Senate Omnibus Tax Bill
Articles 2-3, 5, 7-8, 10

May 6, 2024

Property Taxes and Local Aids Only --
See Separate Analysis for State Taxes

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 5234 (Rest), 1st Engrossment

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
		(000's)		
Article 2: Property Taxes and Local Government Aids				
Exemption for Nonprofit Grazing	$0	$0	(negligible)	(negligible)
Cooperative Distribution Systems Exemption	$0	$0	($30)	($30)
Grand Portage Band Exemption				
School Bond Credit Interaction	$0	$0	$0	negligible
Property Tax Refund Interaction	$0	$0	$0	(negligible)
Leech Lake Band Exemption	$0	$0	$0	($10)
Class 4d Clarification	$0	$0	$0	$0
Ag Classification for Market Farms				
Property Tax Refund Interaction	$0	$0	$0	(negligible)
Ag Market Value Credit Interaction	$0	$0	$0	(negligible)
School Bond Credit Interaction	$0	$0	$0	(negligible)
Land Bank Property Abatement	$0	$0	($10)	($10)
LGA Payment Shift	$0	($2,179)	$2,179	$0
Affordable Housing Aid – Maintenance of Effort	$0	$0	$0	$0
Tribal Nation Aid Modifications	($35,000)	$35,000	$0	$0
Public Safety Aid Reporting Requirements	$0	$0	$0	$0
LGA Penalty Forgiveness – Stewart	$0	$0	$0	$0
SWCD Aid One-Time Increase	$0	($2,000)	$0	$0
Township Aid One-Time Increase	$0	($2,000)	$0	$0
Red Lake Nation Tribal College Exemption	$0	($122)	$0	$0

Article 3: Minerals

Iron Range School and Community Development Name Change	$0	$0	$0	$0
Taconite Homestead Credit Increase				
Property Tax Refund Interaction	$0	$0	$850	$850
Income Tax Interaction	$0	$0	$40	$40
IRFD Tax Statement Changes	$0	$0	$0	$0
Clarifying Gross Proceeds Tax Distribution	$0	$0	$0	$0
Expand County Scholarship Program	$0	$0	$0	$0
Increase Distribution to RAMS	$0	$0	$0	$0
Increase Transfer to School and Community Development Fund	$0	$0	$0	$0
Increase Taconite Municipal Aid to Breitung Twp	$0	$0	$0	$0
DJJ Use of Funds for School Bonds	$0	$0	$0	$0
IRRR Bonds Authorized 2024	$0	$0	$0	$0
IRRR Bonds Authorized 2025	$0	$0	$0	$0
Transfer to the City of Chisholm	$0	$0	$0	$0

Article 5: Tax Increment Financing

Ramsey TIF	$0	$0	$0	$0
Maple Grove TIF	$0	$0	$0	$0
St. Paul TIF	$0	$0	$0	$0
Brooklyn Center TIF	$0	$0	$0	$0\
Brooklyn Park TIF	$0	$0	$0	$0
Eden Prairie TIF	$0	$0	$0	$0
Minnetonka TIF	$0	$0	$0	$0
Moorhead TIF	$0	$0	$0	$0
Plymouth TIF	$0	$0	$0	$0

St. Cloud TIF	$0	$0	$0	$0
Article 7: Public Finance				
Local Government Debt Financing Modified	$0	$0	$0	$0
Article 8: Miscellaneous				
South St. Paul Grant	($250)	$0	$0	$0
Article 10: Department of Revenue; Property Taxes and Local Government Aids				
Add 4d(2) to 1b Remaining Value	$0	$0	$0	$0
Add ITIN Reference to Abatements	$0	$0	$0	$0
Local Affordable Housing Aid Correction	$0	$0	$0	$0
General Fund Total	**($35,250)**	**$28,699**	**$3,029**	**$840**

Various Effective Dates

***Non-General Fund Impacts**

Taconite Property Tax Relief Account				
Taconite Homestead Credit Increase	$0	($3,520)	($7,050)	($7,050)
Range Association of Municipalities and Schools				
Increase Distribution to RAMS	$0	$98	$65	$66
Douglas J. Johnson Economic Protection Fund				
Increase Transfer to School and Community Account	$0	($2,750)	($3,000)	($3,000)
Taconite Municipal Aid Account				
Increase Distribution to RAMS	$0	($98)	($65)	($66)
Increase Taconite Municipal Aid to Breitung Twp	$0	$0	$0	$0
Iron Range School and Community Development Account				
Increase Transfer to School and Community Account	$0	$2,750	$3,000	$3,000
IRRR Bonds Authorized 2024	$0	$0	($3,900)	($3,900)
IRRR Bonds Authorized 2025	$0	$0	$0	($2,400)
Taconite Economic Development Fund				
Transfer to the City of Chisholm	$0	($300)	$0	$0
Housing Assistance Funds				
Local Affordable Housing Aid Correction	$0	$0	$0	$0

REVENUE ANALYSIS DETAIL

Article 2: Property Taxes and Local Government Aids

Exemption for Nonprofit Land Used for Grazing (Section 1)
The effective date is beginning with taxes payable in 2025.
Under current law, when property that is exempt from property taxes is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, then property taxes are imposed to the same extent as though the lessee or user was the owner of the property, with some exceptions.

Under the proposal, exempt property that is leased, loaned, or otherwise made available to a private individual, corporation, or association would remain exempt from property taxes if:

1) the property is owned by a nonprofit conservation organization; and
2) the private individual, corporation, or association is using the property for grazing activities that further the nonprofit conservation organization's conservation objectives.

- Property owned by The Nature Conservancy would be eligible for the proposed exemption.
- Beginning with taxes payable in 2025, the exemption would shift property taxes away from the exempted conservation land and onto all other properties, including homesteads, increasing homeowner property tax refunds by less than $5,000 in FY 2026.

Cooperative Distribution Systems Exemption (Sections 2, 7-8)
The effective date is beginning with assessment year 2024.
Under current law, electric cooperative associations pay a tax of $10 for each 100 members in lieu of all personal property taxes on “distribution lines and the attachments and appurtenances thereto of such associations” located in rural areas.

Under the proposal, "distribution lines and the attachments and appurtenances thereto of such associations" would be replaced with “that part of the association’s distribution system, not including substations or transmission or generation equipment…”

- The $10-per-100-members tax is already being paid by electric cooperative associations, meaning the proposal would, in effect, create an exemption for the newly eligible personal property.
- Under the proposal, metering equipment, installations on customers’ premises, and streetlighting equipment would be eligible for exemption from property taxes.
- For taxes payable in 2025, the exemption would shift an estimated $560,000 in property taxes away from electric cooperative personal property and onto all other property, including homesteads, increasing state-paid homeowner property tax refunds by $30,000 in fiscal year 2026.
- The exemption from the commercial-industrial state general tax would have no impact on state revenues in payable year 2025 and thereafter, because the tax rate would be adjusted to yield the amount of revenue required by statute.

Grand Portage Band Exemption (Section 3)
The effective date is beginning with assessment year 2025.
The proposal would create a property tax exemption for property that:

1) was classified as class 2b for taxes payable in 2024;
2) is located in a county with a population greater than 5,580 but less than 5,620 (according to the 2020 federal census);
3) is located in an unorganized territory with a population less than 800 (according to the 2020 federal census); and
3) was on January 2, 2023, and is for the current assessment, owned by a federally recognized Indian Tribe located within the state of Minnesota.

The exemption would be limited to no more than five parcels.

- Property in Cook County owned by the Grand Portage Band of Chippewa would be eligible for the proposed exemption.
- Beginning with taxes payable in 2026, the eligible parcels would no longer receive the School Building Bond Credit, resulting in a savings to the state general fund of less than $5,000 in fiscal year 2027.
- Beginning with taxes payable in 2026, the exemption would shift property taxes away from the eligible parcels and onto all other properties, including homesteads, increasing homeowner property tax refunds by less than $5,000 in fiscal year 2027.

Leech Lake Band Exemption (Section 4)
The effective date is beginning with assessment year 2025.
The proposal would create a property tax exemption for property that:

1) was classified as class 3a for taxes payable in 2024;
2) is located in a city of the first class with a population greater than 400,000 (as of the 2020 federal census); and
3) was on January 1, 2023, and is for the current assessment, owned by a federally recognized Indian Tribe that is located within the state of Minnesota; and
4) is used exclusively for Tribal purposes or institutions of purely public charity.

Eligible property would be limited to one parcel that does not exceed 40,000 square feet and that was acquired by the Indian Tribe in July 2019. Property used for single-family housing, market-rate apartments, agriculture, or forestry would not qualify for the exemption.

- Property in Minneapolis owned by the Leech Lake Band of Ojibwe would be eligible for the proposed exemption.
- For taxes payable in 2026 and thereafter, the exemption from the commercial-industrial state general tax would have no impact on state revenues, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- Beginning with taxes payable in 2026, the exemption would shift property taxes away from the eligible parcel and onto all other properties, including homesteads, increasing homeowner property tax refunds by $10,000 in fiscal year 2027.

Class 4d(1) Low-Income Rental Property Clarification (Section 5)
The effective date is beginning with assessment year 2025.
Under current law, in order for a property to qualify for class 4d(1) low-income rental housing classification, at least 20% of the units in the property must meet one or more of the following criteria:
1. Project-Based Section 8,
2. Low Income Housing Tax Credits,
3. Rental Assistance units financed through Rural Housing Service of USDA,
4. Rent and income restrictions placed on units by state, federal, or local unit of government as evidenced by a document recorded against the property.

The proposal clarifies that the rent and income restrictions specified in this subdivision only apply to properties eligible for class 4d(1) under the last criterion.

- The proposed clarifying changes would not impact the state general fund.

Market Farms Classified as Agricultural Land (Section 6)
The effective date is beginning with assessment year 2025.
Under current law, continuous acreage with a residence may qualify for 2a agricultural classification if it is less than 11 acres in size and is used for a qualifying intensive use, including intensive market farming.

The proposal expands the definition of land that may be considered agricultural to include continuous acreage with a residence that is less than 11 acres in size, is used in the preceding year for market farming, and either:
- The property owner verifies that they have earned at least $5,000 in the most recent tax year, or
- The property owner verifies that they plan to earn at least $5,000 annually in the next two years.

- It is assumed that a small number of properties engaged in market farming would be eligible for agricultural classification under the proposal.
- Under the proposal, land used for market farming would qualify as class 2a homestead or non-homestead agricultural land. Land qualifying as class 2a homestead under the proposal would receive lower classification rates than under current law. Land qualifying as class 2a non-homestead under the proposal may receive lower classification rates than under current law, depending on its current law classification.
- The proposal would shift property taxes away from properties newly qualifying as agricultural and onto all other properties, including homesteads.
- The shift in taxes onto homesteads would increase state-paid property tax refunds by less than $5,000 beginning in fiscal year 2027.
- Properties newly classified as 2a agricultural homestead would be eligible for the agricultural homestead market value credit, increasing the credit by less than $5,000 beginning in fiscal year 2027.
- Properties newly classified as 2a agricultural homestead or non-homestead would also be eligible for the school building bond credit, increasing the credit by less than $5,000 beginning in fiscal year 2027.

Land Bank Property Abatement (Sections 10-13)
The effective date is the day following final enactment.
The proposal defines a "land bank organization" as an organization that, at least in part, acquires, holds, or manages vacant, blighted, foreclosed, or tax-forfeited property for future development, redevelopment, or disposal. A "land bank organization" must also be either a nonprofit organization or a limited liability company that has a nonprofit organization as its sole member.

Under current law, an abatement of property taxes may be granted for the purpose of local economic development if the abatement meets one of eight criteria that clearly define the public benefit. Under the proposal, the public benefit criteria would be expanded to include:

(ix) provide for the development of affordable housing to households at or below 80 percent of area median income; or
(x) allow the property to be held by a land bank organization for future development.

Under the proposal, abatements granted on the basis of either (ix) or (x) above would be limited to a period of no more than five years. In addition, an abatement must be repaid with interest if the land for which the abatement was granted is used for a purpose other than the purpose given by the land bank organization prior to redevelopment.

- It is assumed that the only organization with eligible property is Land Bank Twin Cities.
- Under current law, all political subdivisions are required to add back to their current year levies the total estimated amount of all current year economic development abatements.
- Under the proposal, property taxes would shift from the parcels eligible for an abatement onto all other properties in those local jurisdictions, including homesteads.
- Because the levies set in one calendar year are collected as property taxes in the following calendar year, the property tax shift would occur in the year following the abatement.
- Based on data provided by Land Bank Twin Cities, approximately $0.5 million in property taxes are due in 2024 on property potentially eligible for an abatement under the proposal.
- It is assumed that approximately half of Land Bank Twin Cities parcels would receive an abatement for taxes payable in 2024.
- Under this assumption, $0.25 million in property taxes would shift onto other properties beginning with taxes payable in 2025, resulting in a cost to the general fund of $10,000 beginning in fiscal year 2026 due to increased homeowner property tax refunds.

LGA Payment Shift (Section 14)
The effective date is for aids payable in calendar year 2025.
Under current law, LGA is generally paid in two equal installments on July 20 and December 26. For LGA payable in 2025 only cities will receive three installments: (1) 9.402% on March 20, 2025, (2) 40.598% on the regular first payment date of July 20, 2025, and (3) the remaining 50% on the regular second payment date of December 26, 2025.

The proposal increases the payment shift to March 20, 2025 by an additional 0.3382%. The proposed three installment payments would be: (1) 9.7401% on March 20, 2025, (2) 40.2599% on the regular first payment date of July 20, 2025, and (3) the remaining 50% on the regular second payment date of December 26, 2025.

- Shifting an additional 0.3382% of the 2025 LGA payments to March 20, 2025 would increase state general fund costs in fiscal year 2025 by $2.179 million and reduce state general fund costs by an equal amount in fiscal year 2026.

Maintenance of Effort Requirements Added to Affordable Housing Aid (Section 15-19, 28)
The effective date is beginning with aids payable 2024.
Under current law, local affordable housing aid provides funding to metro counites and some metro cities to develop and preserve affordable housing. Funding is provided through the housing assistance fund.

The proposal makes various changes regarding the allowable uses of aid and adds conditions for receipt requirement. The distribution of aid would not change.

- The proposal would not impact the housing assistance fund or state general fund.

Tribal Nation Aid Payment Date Adjusted (Sections 20-21, 24)
The effective date is the day following final enactment.
Under current law, Tribal Nation Aid provides $35 million to eligible tribal nations beginning in calendar year 2024 and thereafter. The aid is certified by August 1 and paid by December 27.

The proposal would change the calendar year 2024 payment date to June 20 and future payment dates to July 20 for calendar year 2025 and thereafter. The proposal would also change the certification date to June 1.

- Moving the calendar year 2024 payment date from December 27 to June 20 would shift the aid payment from fiscal year 2025 to fiscal year 2024. This shift would increase state general fund costs by $35 million in FY2024 and reduce state general fund costs by $35 million in FY2025.
- Changing the payment date to July 20 for calendar year 2025 and thereafter would have no fiscal year impact to the state general fund.

Public Safety Aid Reporting Requirements Modified (Section 22)
The effective date is the day following final enactment.
In 2023 the one-time public safety aid provided $300 million to some counties, cities, towns, and tribes that was to be used for public safety purposes.

The proposal would require jurisdictions that received aid to report to the commissioner of public safety by January 15, 2025 the amount of aid received and how it was used or is planned to be used. The commissioner of public safety would compile the information and submit a report to the legislature by February 15, 2025.

- The proposed report would not impact the state general fund.

LGA Penalty Forgiveness – City of Stewart (Section 23)
The effective date is day following final enactment.
The bill would allow the city of Stewart in McLeod County to receive payment for the amount of its 2023 Local Government Aid (LGA) that was withheld for failing to meet financial reporting requirements with the state auditor. The city must file its 2022 financial reports by June 1, 2024. Up to $87,501.50 of the current LGA appropriation would be available for the payment to be made before the end of fiscal year 2024 by June 30, 2024.

- Under the proposal there would be no additional costs to the state general fund in fiscal year 2024 because the money for payment is already appropriated for LGA. Any unpaid LGA payment would not cancel to the state general fund until after June 30, 2024.

Soil and Water Conservation District Aid – One-Time Increase (Section 25)
The effective date is for aid payable in calendar year 2024.
The soil and water conservation district aid program was created in 2023. Under current law, soil and water conservation districts receive $15 million in aid for payable years 2023 and 2024. For aids payable in 2025 and thereafter, the annual appropriation for aid is $12 million.

The proposal would add a $2 million supplemental aid to the 2024 aids payable. The $2 million in supplemental aid would be apportioned to districts according to each district's share of the total amount of certified 2024 aid. The supplemental aid would be certified by August 1st, 2024, and paid by December 26th, 2024.

- Under the proposal, there would be a $2 million cost to the general fund in fiscal year 2025.

Township Aid – One-Time Increase (Section 26)
The effective date is for aid payable in calendar year 2024.
Under the proposal, $2 million would be appropriated in fiscal year 2025 from the general fund to the commissioner of revenue for a one-time increase of Township Aid. The $2 million in supplemental aid would be apportioned to townships according to each township's share of the total amount of certified 2024 Township Aid. The supplemental aid amounts for each township must be certified before August 1, 2024. The supplemental aid must be paid on December 26, 2024.

- Under the proposal, there would be a $2 million cost to the general fund in fiscal year 2025.

Red Lake Nation Tribal College Exemption (Section 27)
The effective date is the day following final enactment.
Under the proposal, property located in the city of Minneapolis and acquired by Red Lake Nation College Without Borders, LLC in either August 2021 or September 2021 would be exempt from property taxes payable in 2022, and from the portion of property taxes payable in 2021 due after the property was acquired.

By August 1, 2024, the county auditor would certify to the commissioner of revenue the total payment amount for the property taxes attributable to the exemption, and by August 15, 2024, the commissioner of revenue would make the payment to the county.

The amount needed to make the payment would be appropriated from the general fund to the commissioner of revenue in fiscal year 2025.

- Two parcels acquired by Red Lake Nation College in 2021 would be eligible for the retroactive exemption.
- As part of a private college, both parcels are currently exempt from property taxes.
- Approximately $122,000 in delinquent taxes are due on the eligible parcels for taxes payable in 2021 and 2022, including approximately $24,000 of state general tax.
- Under the proposal, the state general tax amount would not be collected, and the state would pay the remaining $98,000 to Hennepin County in fiscal year 2025.
- Approximately $40,000 in penalties and interest are currently due on the eligible parcels. Under the proposal, the state would not be responsible for paying the accumulated penalties and interest.

Article 3: Minerals

Iron Range School and Community Development Name Changed (Sections 1, 5-6, 8, 10)
The effective date is the day following final enactment.
The proposal would change the name of the Iron Range consolidation and cooperatively operated school account to the Iron Range school and community development account.

- The proposal would have no effect on any fund balances.

Maximum Increased for the Taconite Homestead Credit (Section 2)
The effective date is beginning with taxes payable in 2025.
Under current law, the taconite homestead credit reduces the property tax paid by owners of certain properties located on the Mesabi and Vermillion ranges located within the Taconite Tax Relief Area. The properties receiving this credit are owner-occupied homes and owner-occupied farms.

If an owner-occupied home or farm is located in a city or town that contained at least 40% of its valuation as iron ore on May 1, 1941, or which had a taconite mine, processing plant, or electric generating facility on January 1, 1977, or currently has a taconite mine, processing plant, or electric generating facility, the taconite credit is 66% of the tax, up to a maximum credit of $315.10.

If the property is not located in such a city or town but is located in a school district containing such a city or town, the taconite credit is 57% of the tax, up to a maximum credit of $289.80.

The taconite homestead credit is funded by the taconite property tax relief account, which is funded by taconite production taxes. If this fund is not sufficient to make these payments, the deficit is made up from the Douglas J. Johnson Economic Protection Fund.

The proposal would increase the maximum credit amount for both the 66% and 57% taconite homestead credits to $515.00.

The proposal would not impact the supplemental taconite homestead credit.

- Under current law, approximately 38,300 parcels received the taconite homestead credit in taxes payable 2023. Of those 38,300 parcels, approximately 35,100, or 92%, received the maximum credit amount of either $315.10 or $289.80.
- Under the proposal, all 35,100 parcels that are at the maximum credit under current law would receive a larger taconite homestead credit. Most of these parcels are expected to qualify for the proposed maximum credit of $515.00.
- The total taconite homestead credit amount would increase by $7.05 million beginning in taxes payable 2025.
- The taxes payable year amounts have been converted to fiscal years for the purpose of this estimate. Credit reimbursement payments for the taconite homestead credit are made over two fiscal years, with 50% paid in each year. The increased credit would cost $3.52 million in fiscal year 2025 and $7.05 million in fiscal year 2026 and beyond.
- The increased credit would be a cost to the taconite property tax relief fund. If the fund is unable to cover to cover the full cost of the credit, the deficit would automatically come from the Douglas J. Johnson Economic Protection Fund.
- Lower property taxes for homeowners receiving a larger credit would reduce property tax refunds, decreasing refunds paid by the state by $850,000 beginning in fiscal year 2026.
- Lower property taxes for homeowners receiving a larger credit would reduce deductions on individual income tax returns, increasing state tax collections by $40,000 beginning in fiscal year 2026.

Contents of Tax Statements Expanded for Iron Range Fiscal Disparities (Sections 3-4)
The effective date is beginning with notices for property taxes payable in 2025.
Under current law, there are requirements for what is included in the notice of proposed property taxes and property tax statement.

The proposal would add new content to the notice of proposed property taxes and property tax statement for properties subject to Iron Range fiscal disparities taxes. In addition to the current law requirements, the notice and statement would need to include a line showing the fiscal disparities adjustment. The fiscal disparities adjustment would equal the total gross taxes payable minus the sum of the tax amounts for the individual taxing jurisdictions.

- The proposal would have no impact on the state general fund.

Clarifying Distribution of Gross Proceeds Tax within the Taconite Assistance Area (Section 7)
The effective date is beginning with distributions in 2025.
The proposal clarifies that specific distributions of gross proceeds tax within the taconite assistance area only apply for mining operations occurring within the taconite assistance area.

- The proposal would have no impact on the state general fund.

Expanding the County Scholarship Program to Trade Programs (Section 9)
The effective date is beginning with distributions in 2025.
Under current law, a county may establish a scholarship program funded through unencumbered mineral taxes. Scholarships need to be used at two-year Minnesota State Colleges and Universities within the county.

The proposal would expand where scholarships can be used to include accredited trade programs.

- The proposal would have no impact on the state general fund.

Increase Distribution to Range Association of Municipalities and Schools (Section 11)
The effective date is beginning with the 2024 distribution.
Under current law, 0.3 cents per ton of taconite production is allocated to the range association of municipalities and schools.

The proposal would increase this amount to 0.5 cents starting in 2024.

- The changes to the local distribution of taconite production taxes would have no impact on the state general fund.
- The total distribution to the range association of municipalities and schools account would increase by $66,000 beginning in distribution year 2024.
- The distribution year amounts have been converted to fiscal years for the purpose of this estimate. Distributions are made over two fiscal years, with 50% paid in each year. The full 2024 distribution amount would be made in fiscal year 2025 as well as the first half of the 2025 distribution amount. The increased distribution would be $98,000 in fiscal year 2025, $65,000 in fiscal year 2026, and $66,000 in fiscal year 2027 and beyond.
- The increased distribution to the range association of municipalities and schools account would reduce distributions to the Taconite Municipal Aid Account.

Increase Transfer to School and Community Development Account (Section 12)
The effective date is beginning with distributions in 2024.
Under current law, the Douglas J. Johnson Economic Protection Trust Fund annually transfers $3.5 million to the Iron Range school and community development account.

The proposal would increase this amount to $6.25 million for distributions in 2024, $6.5 million for distributions in 2025-2029, $5.5 million for distributions in 2030-2034, and $5.0 million for distributions in 2035-2036. The transfer amount would return to $3.5 million for distribution year 2037 and thereafter.

- Transfers to the Iron Range school and community development account would increase $2.75 million in fiscal year 2025, $3.0 million for fiscal years 2025-2029, $2.0 million in fiscal years 2030-2034, and $1.5 million in fiscal years 2035-2036.
- These increases would be offset by equal amount reductions in the Douglas J. Johnson Economic Protection Trust Fund.

Increase Taconite Municipal Aid to Breitung Township (Section 13)
The effective date is beginning with the 2024 distribution.
Under current law, Breitung Township receives $15,000 in Taconite Municipal Aid.

The proposal would increase this amount to $25,000 starting in 2024.

- Starting in fiscal year 2025, Breitung Township would receive additional taconite municipal aid, shifting aid away from other municipalities receiving aid.
- The proposal would not impact the state general fund.

Use of Funds from the Douglas J. Johnson Economic Protection Trust Fund (Section 14)
The effective date is the day following final enactment.
The proposal would expand the use of funds from Douglas J. Johnson economic trust fund. Revenue from the DJJ would be allowed to fund reserve accounts established to secure payments for bonds repaid from the Iron Range school and community development account.

- The proposal would have no impact on the state general fund.

IRRR Bonds Authorized for 2024 and 2025 (Section 15-16)
The effective date is the day following final enactment.
The proposal would have Iron Range Resources and Rehabilitation issue revenue bonds of up to $49 million in 2024 and $31 million in 2025 to various government agencies and non-profits. The bonds would be repaid through appropriations from the iron range school and community development account. If the iron range school and community development account is unable to cover to cover the full cost of the bond repayments, the deficit would automatically come from the Douglas J. Johnson Economic Protection Fund.

- Starting in fiscal year 2025, the iron range school and community development account would transfer an estimated $3.9 million to cover the cost of the bonds. This number would increase to $6.3 million in fiscal year 2026 and thereafter.
- The proposal would not impact on the state general fund.

Transfer to City of Chisholm (Section 17)
The effective date is the day following final enactment.
The proposal would transfer $300,000 from the taconite economic development fund to the city of Chisholm for a bridge. The money would be transferred in August 2024.

- The taconite economic development fund would decrease by $300,000 in fiscal year 2025.
- The proposal would not impact on the state general fund.

Article 5: Tax Increment Financing

Ramsey TIF (Section 1)
The effective date is following local approval.
Under current law, special rules apply for a redevelopment tax increment financing (TIF) district in the city of Ramsey relating to the Northstar Transit Station.

The proposal would add another special rule for the TIF district: it would extend the time in which the city is allowed to adopt interfund loan resolutions. Under current law, an interfund loan or advance must be authorized by resolution no later than 60 days after money is transferred, advanced, or spent, whichever is earlier. The proposal would extend that deadline to December 31, 2024.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Maple Grove TIF (Section 2)
The effective date is following local approval.
Under current law, the city of Maple Grove was allowed to establish tax increment financing (TIF) districts within a defined project area that were subject to special rules as established by the legislature in 2014 and revised in 2017. The project area includes rights-of-way for all present and future highway interchanges abutting the project area.

The proposal would expand the definition of the project area to include rights-of-way for all present and future highway interchanges serving the project area. Some of the special rules that apply to these districts are also modified:
- The five-year rule for development activity to commence is extended from eight years to 13 years.
- The number of years increments from a soil deficiency district may be collected is extended from 20 years to 25 years.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

St. Paul TIF (Section 3)
The effective date is following local approval.
Under current law, special rules apply to the Ford Site Redevelopment Tax Increment Financing (TIF) District in the City of St. Paul, including being allowed to waive increments for up to four years and setting a different certification date if increments are waived.

The proposal would add another special rule for the Ford Site Redevelopment TIF District: it would extend the five-year rule for development activity to commence to ten years.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Brooklyn Center TIF (Section 4)
The effective date is following local approval.
The proposal would allow the city of Brooklyn Center or its economic development authority to establish not more than two redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district, excluding it from rules on how increment may be spent in a redevelopment district, and allowing increment that is spent in a specified area to be deemed as activities within the district. The authority to establish a TIF district under this authority expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Brooklyn Park TIF (Sections 5-7)
The effective date is following local approval.
The proposal would allow the city of Brooklyn Park or its economic development authority to establish not more than two redevelopment tax increment financing (TIF) districts in three locations: the Village Creek Area, the 610/Zane Area, and the Biotech Area. Each location has its own defined area within which a TIF district may be created. Any districts established under this authority would have special rules that apply that would exclude it from requirements for establishing a redevelopment district and exclude it from rules on how increment may be spent in a redevelopment district. The authority to request certification of any district under this proposal expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Eden Prairie TIF (Section 8)
The effective date is following local approval.
The proposal would allow the city of Eden Prairie or its economic development authority to establish not more than two redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply that would exclude it from requirements for establishing a redevelopment district and exclude it from rules on how increment may be spent in a redevelopment district. The authority to approve a TIF plan and establish a TIF district under this proposal expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Edina TIF (Sections 9-10)
The effective date is following local approval.
The proposal would extend the five-year rule for development activity to commence to ten years for two tax increment financing (TIF) districts in the city of Edina: 72nd & France 2 and 70th & France. The proposal would also allow the city of Edina or its housing and redevelopment authority to extend the duration of the districts by five years.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Minnetonka TIF (Section 11)
The effective date is following local approval.
The proposal would extend the five-year rule for development activity to commence to ten years for the renewal and renovation tax increment financing (TIF) district established in 2021 by the city of Minnetonka and its Economic Development Authority.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Moorhead TIF (Section 12)
The effective date is following local approval.
Under current law, the five-year rule essentially requires development activity for a TIF district to be finished within a five-year period after the certification of the district. After this period has expired, increments may only be spent to pay off obligations that were incurred during the five-year period or for permitted expenditures under pooling. The six-year rule requires districts to be decertified when sufficient increment has been received to pay for these obligations.

The proposal would extend the five-year rule to ten years and the six-year rule to eleven years for Tax Increment Financing (TIF) District No. 31 in the city of Moorhead.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Plymouth TIF (Section 13)
The effective date is following local approval.
The proposal would allow the city of Plymouth to establish not more than two redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district, exclude it from rules on how increment may be spent in a redevelopment district, and extending the five-year rule for development activity to commence to ten years. The authority to establish a TIF district under this authority expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

St. Cloud TIF (Section 14)
The effective date is following local approval.
The proposal would allow the city of St. Cloud or its economic development authority to establish not more than two redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district, exclude it from rules on how increment may be spent in a redevelopment district, and allowing increment to be spent on reconstruction, expansion, or new construction of adjacent public infrastructure. The authority to establish a TIF district under this authority expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Article 7: Public Finance

Local Government Debt Financing Modified (Sections 1-5, 7-8)
The effective date is July 1, 2024.
The proposal makes several modifications to local government debt financing. It would expand which educational facility construction projects are exempt from a review and comment period, narrow the types of school construction bonding that require publication and public meetings, narrow which school projects funded through lease purchases are subject to a review and comment period, add construction of a court house or justice center to debt obligations for which the state provides a guarantee, clarify which obligations fall under bond allocation act rules, and adjust the deadline for issuers that receive an allocation from the unified pool to issue obligations.

- There is no assumed impact to the state general fund.

Article 8: Miscellaneous

South St. Paul Grant (Section 4)
The effective date is the day following final enactment.
The proposal would provide a $250,000 grant to the city of South St. Paul to be paid by June 30, 2024. The grant must be used to pay for planning and development costs within the city.

- The one-time appropriation would result in a cost to the state general fund of $250,000 in fiscal year 2024.

Article 10: Department of Revenue; Property Taxes and Local Government Aids

Add 4d(2) as an Option for Remaining Market Value of 1b Properties (Section 1)

Effective beginning with assessment year 2025.
Under current law, class 1b homesteads of persons who are blind or disabled receive a classification rate of 0.45% for the first $50,000 of value. Any value over $50,000 receives the same classification rates as 1a residential homesteads and 2a agricultural homestead house, garage, and first acre: 1.00% for value between $50,000 and $500,000 and 1.25% for any value over $500,000.

During the 2023 legislative session, a new homestead property classification was created with a reduced classification rate: class 4d(2) homestead community land trusts. Properties classified as 4d(2) have a classification rate of 0.75%.

The proposal would allow class 1b properties that also qualify for class 4d(2) to receive the reduced classification rate of 0.75% for value over $50,000.

- Approximately 11,100 parcels are at least partially classified as class 1b homesteads of persons who are blind or disabled in assessment year 2023.
- According to the Minnesota Community Land Trust Coalition, there are 13 community land trust organizations in Minnesota that have a portfolio of about 1,400 homes throughout the state.
- It is assumed that the proposal would have no impact on the state general fund.

Add ITIN Reference to the Abatement Statute (Section 2)

Effective retroactively for abatement applications filed in 2023 and thereafter.
Under current law, an application for an abatement of property taxes must include the Social Security number of the applicant.

The proposal would require an abatement application to include either the Social Security number of the applicant, or the applicant's Individual Taxpayer Identification Number.

- It is assumed that the proposal would have no impact on the state general fund.

Local Affordable Housing Aid Timing Correction (Section 3)

Effective beginning with aids payable in 2024.
The proposal would make the following timing changes for the certification and payment of the newly created Local Affordable Housing Aid:

- Add July 15 for the commissioner of Management and Budget to certify tax collection balances for each aid account.
- Eliminate a certification of distribution factors required by August 1 of the year before aid is calculated and paid.
- Add a September 1 aid certification date.
- Change the aid payment dates from July 20 and December 26 of the aid calculation year to October 1.

- Changes to certification and payment dates would have no fiscal year impact on the state aid accounts.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
https://www.revenue.state.mn.us/revenue-analyses

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