

PROPERTY TAX
House Omnibus Tax Bill
Articles 2-3, 5-6, 8-9, 12, 18, 19, 20, 22, 24

April 10, 2017

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

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
 Analysis of H.F. 4 (Davids), 3rd engrossment, Articles 2-3, 5-6, 8-9, 12, 18, 19, 20, 22, 24

	Fund Impact			
	<u>F.Y. 2018</u>	<u>F.Y. 2019</u>	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>
	(000's)			
<u>Article 2: Property Tax</u>				
Early Termination of Agricultural Preserve	\$0	negligible	negligible	\$10
County Levy Authority Modified; Treated as Special Taxing District Levies	\$0	\$0	\$0	\$0
Ag Containment Exemption Modified	\$0	\$140	\$140	\$140
Apprenticeship Training Facilities Exemption Criteria Modified	\$0	\$0	(negligible)	(negligible)
Owatonna Electric Generating Facility Exemption	\$0	\$0	\$0	\$0
Property Tax Refund Interaction	\$0	(\$10)	(\$20)	(\$20)
Income Tax Interaction	\$0	\$0	(\$10)	(\$10)
Class 1c Requirements and Seasonal-Recreational Leased Property Modifications	\$0	(\$20)	(\$20)	(\$20)
Wind Energy Production Tax Modified	\$0	\$0	\$0	\$0
Land Transfer or Division Restriction Modified	\$0	\$0	\$0	\$0
Manufactured Home Park Cooperative PTR	\$0	(\$180)	(\$180)	(\$180)
Ag Homesteads Owned by Trusts	\$0	\$0	\$0	\$0
Property Tax Refund Interaction	\$0	(negligible)	(negligible)	(negligible)
Ag Homestead Market Value Credit	\$0	(negligible)	(negligible)	(negligible)
Manufactured Home Assessment Modified	\$0	\$0	(negligible)	(negligible)
Ag Purposes for Conservation Programs Modified	\$0	\$0	(negligible)	(negligible)
Aquaculture Classification	\$0	\$0	(negligible)	(negligible)

Storage Condominium Classification	\$0	(\$10)	(\$10)	(\$10)
Veterans' Organizations Class Rate	\$0	(\$20)	(\$20)	(\$20)
Veteran's Homestead Exclusion – Annual Application Requirement Eliminated	\$0	\$0	\$0	\$0
Veteran's Homestead Exclusion – Surviving Spouse First-Time Application	\$0	\$10	\$10	\$10
Overvalued Property Tax Refund	(\$30)	(\$50)	(\$50)	(\$50)
Property Tax Refund Interaction	\$0	(negligible)	(negligible)	(negligible)
Income Tax Interaction	\$0	(negligible)	(negligible)	(negligible)
State Levy Freeze and Exemption	(\$70,190)	(\$137,810)	(\$158,140)	(\$181,700)
Income Tax Interaction	\$0	\$3,830	\$4,380	\$5,040
State Levy Underserved Municipal Distribution (\$380)		(\$700)	(\$700)	(\$700)
Tax Forfeiture Provisions Modified	\$0	\$0	\$0	\$0
Due Dates and Penalties Modified	\$0	\$0	\$0	\$0
Rural Vacant Land Due Date Modified	\$0	\$0	\$0	\$0
Abatement of Penalty for Late Payment	\$0	\$0	\$0	\$0
Carlton County Levy Authority	\$0	\$0	\$0	\$0
Property Tax Refund Interaction	\$0	(negligible)	(negligible)	(negligible)
Income Tax Interaction	\$0	(negligible)	(negligible)	(negligible)
Soccer Stadium Property Tax Exemption Property Tax Refund Interactions	\$0	\$0	\$0	(\$110)
Property Tax Reform Task Force and Report	\$0	\$0	\$0	\$0
Assessor Accreditation Requirements	\$0	\$0	\$0	\$0
<u>Article 3: Taxpayer Empowerment</u>				
Property Tax Empowerment	\$0	unknown	unknown	unknown
<u>Article 5: Aids, Credits, and Refunds</u>				
School Building Bond Ag Credit	\$0	(\$44,400)	(\$58,200)	(\$67,200)
Property Tax Refund Interaction	\$0	\$0	(\$250)	(\$500)
Income Tax Interaction	\$0	\$1,730	\$1,880	\$2,000

Renter PTR Regional Tax Percent Of Rent	\$0	\$40,200	\$40,800	\$41,400
Border City Allocation	(\$3,000)	\$0	\$0	\$0
LGA Transition Cities Formula	\$0	\$0	\$0	\$0
LGA Sparsity Adjustment	\$0	\$0	\$0	\$0
Out of Home Placement Aid for ICWA	\$0	(\$10,000)	(\$10,000)	(\$10,000)
Property Tax Refund Interactions	\$0	\$240	\$240	\$240
Income Tax Interactions	\$0	\$190	\$190	\$190
LGA Unmet Need Formula Fix	\$0	\$0	\$0	\$0
CPA, LGA, Town Aid Reductions – World Fair	\$0	unknown	unknown	unknown
CPA, LGA Reductions – Diversion	unknown	unknown	unknown	unknown
Maximum Effort Loan Aid	(\$2,960)	(\$3,290)	(\$3,290)	(\$3,290)
Property Tax Refund Interactions	\$0	\$80	\$80	\$80
Income Tax Interactions	\$0	\$60	\$60	\$60
LGA Unmet Need Formula Fix Payment	(\$167)	\$0	\$0	\$0
LGA Aid for Newly Inc. Cities Adjusted	\$0	\$0	\$0	\$0
LGA Penalty Forgiveness Pay 2013	(\$37)	\$0	\$0	\$0
LGA Penalty Forgiveness Pay 2014	(\$102)	\$0	\$0	\$0
Mille Lacs Property Tax Abatement	(\$1,090)	\$0	\$0	\$0
Mille Lacs State Levy Refund	(\$440)	\$0	\$0	\$0
Income Tax Interaction	\$50	\$0	\$0	\$0
PILT Temporary Payment Rate Increase	(\$3,450)	(\$3,450)	\$0	\$0
PTR Homeowners One-Time Payment	\$0	(\$58,000)	\$0	\$0
PTR Renters One-Time Payment	\$0	(\$42,000)	\$0	\$0
Repeal Minneapolis Debt Service Aid	\$0	\$4,120	\$4,120	\$4,120
Property Tax Refund Interaction	\$0	\$0	(\$100)	(\$100)
Income Tax Interaction	\$0	\$0	(\$70)	(\$70)

Article 6: In Perpetuity Payments on Land Purchases

PILT Trust Fund (General Fund impact)	\$0	\$0	\$67	\$134
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Article 8: Tax Increment Financing

TIF Workforce Housing	\$0	\$0	\$0	\$0
TIF Technical and Policy Changes	\$0	\$0	\$0	\$0
TIF Burnsville	\$0	\$0	\$0	\$0
TIF Duluth Seaway Port Authority	\$0	\$0	\$0	\$0
TIF Edina	\$0	\$0	\$0	\$0
TIF Maple Grove	\$0	\$0	\$0	\$0
TIF Anoka	\$0	\$0	\$0	\$0
TIF Coon Rapids	\$0	\$0	\$0	\$0
TIF Cottage Grove	\$0	\$0	\$0	\$0
TIF Moorhead	\$0	\$0	\$0	\$0
TIF Richfield Cedar Avenue	\$0	\$0	\$0	\$0
TIF Richfield Lyndale Gardens	\$0	\$0	\$0	\$0
TIF Rochester	\$0	\$0	\$0	\$0
TIF South St. Paul	\$0	\$0	\$0	\$0
TIF St. Louis Park	\$0	\$0	\$0	\$0
TIF St. Paul Ford Site	\$0	\$0	\$0	\$0
TIF Newport	\$0	\$0	\$0	\$0
TIF Wayzata	\$0	\$0	\$0	\$0

Article 9: Public Finance

Reverse Referendum Allowed	\$0	unknown	unknown	unknown
Metropolitan Council Bonds	\$0	\$0	\$0	\$0
Property Tax Refund Interaction	\$0	(\$160)	(\$770)	(\$940)
Income Tax Interaction	\$0	(\$120)	(\$580)	(\$700)

Article 12: Miscellaneous

Zip Rail Restrictions	\$0	\$0	\$0	\$0
Biennial Notice and Referendum, Municipality				
Raising Revenues	\$0	\$0	\$0	\$0
Property Tax Refund Interaction	\$0	(unknown)	(unknown)	(unknown)
Income Tax Interaction	\$0	(unknown)	(unknown)	(unknown)
Taconite Municipal Aid Modifications	\$0	\$0	\$0	\$0
Fees Related to Local Government Permitted Use Prohibited	\$0	\$0	\$0	\$0
Previously Distributed Taconite Tax Proceeds	\$0	\$0	\$0	\$0
Taylor's Falls Border City Development Zone	\$0	\$0	\$0	\$0
Repeal Lewis & Clark Debt Service Aid	\$1,300	\$2,400	\$2,400	\$2,400

Article 18, 19, 20, 22, 24: Department Policy and Technical Provisions

Policy and Technical Provisions	\$0	\$0	\$0	\$0
General Fund Total	(\$80,496)	(\$247,220)	(\$178,043)	(\$209,796)

Various Effective Dates

***Non-General Fund Impacts**

Outdoor Heritage Trust Fund

Appropriation for Deposit into PILT Trust Fund	\$0	(\$2,200)	(\$2,200)	(\$2,200)
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Environment and Natural Resources Trust Fund

Appropriation for Deposit into PILT Trust Fund	\$0	(\$700)	(\$700)	(\$700)
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New PILT Trust Fund

Deposits into County Joint Trust Fund	\$0	\$2,900	\$2,900	\$2,900
Annual Payment Distributions to Counties	\$0	(\$96)	(\$191)	(\$287)

Taconite Environmental Protection Fund

Modifications to Municipal Aid	\$0	(\$592)	(\$430)	(\$306)
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Douglas J. Johnson Economic Protection Fund

Modifications to Municipal Aid	\$0	(\$572)	(\$378)	(\$218)
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Taconite Municipal Aid Account

Modifications to Municipal Aid (from TEPF and DJJ)	\$0	\$1,164	\$808	\$524
Distributions to Municipalities	\$0	(\$1,164)	(\$808)	(\$524)

REVENUE ANALYSIS DETAIL

Article 2: Property Tax

Early Termination of Agricultural Preserve (Sections 1, 42-43)

The effective date is July 1, 2017 for early termination and the day following final enactment for the installation of wireless communication equipment.

Under current law, an Agricultural Preserve covenant can expire no sooner than eight years after the date when termination of the covenant is officially requested.

The bill would allow for immediate withdrawal from the Metropolitan Agricultural Preserves Program if requested by the surviving owner within 365 days of the death of an owner, an owner's spouse, or other qualifying person. When the covenant is terminated in this manner, the property is subject to additional taxes equal to 50% of the total tax amount actually levied against the property in the current payable year. The additional taxes are distributed among the various taxing jurisdictions in proportion to the current year's taxes.

In addition, the bill would permit wireless communication equipment and related structures on agricultural preserve land when the associated technology has a potential benefit to farming activities. This modification of current law would apply to parcels enrolled in both the Metropolitan Agricultural Preserves Program and the non-metro Agricultural Land Preservation Program.

- It is assumed that 50% of surviving owners would choose to withdraw from the program. Based on this assumption, it is estimated that approximately ten parcels per year would withdraw early under the bill. This would result in a negligible savings to the state in FY 2019 and FY 2020, and a savings of \$10,000 in FY 2021.
- However, any parcel that withdraws from the program would no longer be assessed solely for its agricultural value. This means that for each parcel that exits the Metropolitan Agricultural Preserves Program there would be some shifting of taxes within individual jurisdictions onto the parcel in question and away from other properties, including residential homesteads.
- The early termination provision in the bill does not apply to parcels enrolled in the Agricultural Land Preservation Program.
 - There are 1,556 parcels in three counties currently enrolled in the non-metro Agricultural Land Preservation Program.
 - There are 3,551 parcels in six counties currently enrolled in the Metropolitan Agricultural Preserves Program.

County Levy Authority Modified, County Levies Treated as Special Taxing District Levies (Sections 2, 22)

The effective date is beginning with certifications in 2017.

The bill would add soil and water conservation districts to the list of special taxing districts. Counties that levy for soil and water conservation districts would need to certify that portion of their levy separate from their general levy

- The bill would have no effect on the state general fund.

Agricultural Containment Facility Exemption Modified (Section 3)

The effective date is beginning with taxes payable in 2016.

Under current law, agricultural containment tanks, cache basins, and the portion of the structure needed for the containment facility used to confine agricultural chemicals are exempt from property taxes.

The bill would remove the exemption from property taxes for all of this property except for secondary structures used by licensed resellers to control liquid agricultural chemical spills from primary containers. The bill would be effective retroactively beginning with taxes payable in 2016. Any property that was classified as exempt for property taxes payable in 2016 would not lose exempt status for that year.

- The change from exempt to taxable status for agricultural containment property would increase the market value subject to property taxes and property taxes paid by this property. The increase in market value would be approximately \$125 million beginning in taxes payable in 2018.
- The bill would shift property taxes on to agricultural containment property that was previously exempt and away from all other property types, including homesteads. The result of this interaction would be a statewide property tax refund savings of approximately \$140,000 beginning in FY 2019.

Apprenticeship Training Facilities Exemption Criteria Modified (Section 4)

The effective date is August 1, 2017.

Under current law, property used exclusively for a state-approved apprenticeship program through the Department of Labor and Industry is exempt if:

1. it is owned and operated by a nonprofit organization;
2. the program participants receive no compensation; and
3. it is located:
 - a. in Minneapolis or St. Paul;
 - b. in another city with a population of 7,400 or greater; or
 - c. in a township with a population greater than 2,000 but less than 3,000 and the building was previously used by a school and was exempt for taxes payable in 2010.

The bill would require a township to have a population greater than 1,400 instead of 2,000.

- It is assumed that only one facility, located in Haverhill Township in Olmsted County and owned by the Sheet Metal Workers Local Union 10, would benefit from the expanded eligibility criteria.
- It is further assumed that the owners of the facility will file an application for exemption by February 1, 2018, resulting in exempt status for the entire parcel beginning with taxes payable in 2019.
- In FY 2020 and FY 2021, the bill would shift a negligible amount of property tax onto other property types, including homesteads. This would result in a negligible increase in property tax refunds.

Owatonna Electric Generating Facility Exemption (Section 5)

The effective date is the day following enactment.

The new law exempts the attached machinery and other personal property of an electric generation facility that is located outside the metropolitan area, has more than 35 megawatts and less than 40 megawatts of installed capacity, and is designed to use natural gas as a primary fuel. The facility must be owned and operated by a municipal power agency and be located within 800 feet of an existing natural gas pipeline. Construction of the facility must commence between January 1, 2015 and January 1, 2016. Electric transmission lines, gas pipelines, and interconnections are not eligible for the exemption.

Under current law, municipal power agencies make payments in lieu of taxes and do not pay property taxes. The new law exempts eligible attached machinery and other personal property from taxation and from payments in lieu of taxes.

- It is assumed that only one facility, the Owatonna Energy Station, would be eligible for the exemption. The facility is owned by the Southern Minnesota Municipal Power Agency.
- It is assumed that the payments in lieu of taxes that would be paid by this facility under current law would reduce local levies. In the absence of these payments, local levies will be higher.
- Increases in local levies would result in larger property tax refunds and larger income tax deductions, costing the state general fund an estimated \$10,000 in FY2019, \$30,000 in FY 2020, and \$30,000 in FY 2021.

Class 1c Classification, Seasonal-Recreational Leased Land Modifications (Sections 6, 13)

The effective date is beginning with taxes payable in 2018.

Under current law, land leased from governmental units by a private entity and used for non-commercial seasonal-recreational (cabin) purposes requires county approval for exemption from property taxes. In order to qualify for exemption, the property had to be exempt in 2008 and rented for the same purpose. Land leased from the federal government automatically receives an exemption. Lessees pay property taxes on any improvements to the land, such as buildings.

Also under current law, only property that abuts public waters and meets certain ownership requirements is eligible for class 1c commercial seasonal recreational residential use property (Ma & Pa resorts).

The bill would automatically provide a property tax exemption for all seasonal-recreational land, including non-commercial seasonal-recreational and class 1c Ma & Pa resort property, that is leased from a government entity. The bill would remove county board discretion in exempting certain leased land and the requirement that those properties had to have been exempt in 2008. The bill also changes eligibility requirements for a property to be classified as class 1c Ma & Pa resort property. Specifically, it expands ownership qualifications and expands location qualifications to make property next to a state trail administered by the Department of Natural Resources eligible for class 1c.

- By modifying the exemption provisions, it is assumed that approximately \$30 million in non-commercial seasonal residential recreational (cabin) land market value and \$500,000 in Ma & Pa resort land value would become exempt from property taxes.
- The proposed modifications to exemption provisions would have an impact on the local tax base and tax rate in the future. Taxes would shift from exempted non-homestead properties to homesteads, resulting in an increase of \$15,000 in property tax refunds paid by the state.
- It is assumed that approximately \$25 million of market value would change from 4c(1) seasonal residential recreational commercial (resort) classification to 1c Ma & Pa resort classification.
- The change in classification would decrease the class rate for these properties from 1.0% or 1.25% for class 4c(1) property to 0.5%, 1.0%, or 1.25% for class 1c Ma & Pa resorts, depending on the property's market value. The classification change would reduce the property's state tax liability. A decrease in the class rate would also decrease local property taxes paid, shifting taxes away from these properties. Taxes would be shifted onto all other property, including homesteads. An increase in property taxes on homestead property would result in an increase of \$5,000 in property tax refunds paid by the state.

Wind Energy Production Tax Criteria Modified (Section 7)

The effective date is the day following final enactment.

Under current law, the wind energy production tax has a tiered rate system based on the total combined nameplate capacity of the wind energy conversion systems (WECS) of the system. WECS with larger nameplate capacity pay a higher tax rate than smaller WECS. For purposes of this tax, the nameplate capacities of wind energy conversion systems that are under common ownership will be combined if the systems are located within 5 miles of each other and were constructed in the same calendar year. Common ownership exists when the same (or similar) persons or entities own two or more systems, even if the ownership shares are different for each system. Common ownership does not exist solely because the same person or entity provided equity financing. In the case of a dispute, the commissioner of commerce makes the determination of the total size of the system by drawing reasonable inferences in favor of combining the systems.

The bill narrows the criteria for combining the nameplate capacities of multiple WECS in the case of a dispute over the total size of the system. The bill removes the requirement that the commissioner of commerce draw inferences in favor of combining systems. It also requires that, in order for WECS to be combined due to a dispute, the ownership structure of WECS must be the same, instead of only requiring similar ownership structure under current law.

- The bill would have no impact on the state general fund.
- In taxes payable year 2016, \$10.8 million of wind energy production tax was collected statewide. The production tax for taxes payable 2016 by scale of WECS is as follows:

Scale of WECS	Nameplate Capacity	Tax per Megawatt Hour	Number of Towers	Production Tax
Large Scale	Over 12 megawatts	\$1.20	2,053	\$10,654,513
Medium Scale	Over 2 to 12 megawatts	\$0.36	121	\$131,362
Small Scale	2 megawatts and under	\$0.12	132	\$45,804

- The bill narrows the criteria for combining the nameplate capacities of multiple WECS. It is assumed that more WECS nameplate capacities' would be reduced in the case of disputes than under current law. This would cause a decrease in local wind energy production tax revenues due to those systems being taxed at a lower rate.
- The number of systems that would be taxed at a lower rate because of the bill is unknown. If ten percent of the large scale wind energy production is reduced to small scale due to disputes over nameplate capacity, the production tax would be reduced by \$1 million statewide.

Land Transfer or Division Restriction Modified (Section 8)

The effective date is the day following final enactment.

The bill addresses instances of a lender acquiring only a portion of a parcel through execution of a lien. Under current law, clear rules are provided when the affected parcel is subject to municipal zoning regulations. The bill clarifies that lien executions of less than an entire parcel that occur in an area covered by county zoning regulations are subject to the ordinances, resolutions, maps, and regulations of the county.

- There would be no impact on aids or credits administered by the Department of Revenue.

Manufactured Home Park Cooperative PTR (Sections 9, 41)

The effective date is beginning with claims based on property taxes payable in 2018.

Under current law, residents living in a manufactured home park cooperative are provided homestead treatment if the cooperative is wholly owned by residents of the park and paying property taxes. The residents may claim a property tax refund for the property taxes paid on their manufactured home structure, but any property taxes attributable to the rent paid to lease their land in the park may not be included.

The bill would allow manufactured home park cooperative residents to include 17% of the rent paid for their site rental in the determination of property taxes payable for claiming a property tax refund.

- According to the Northcountry Cooperative Foundation there are seven resident-owned manufactured home park cooperatives in Minnesota. These cooperative parks include over 500 units located in the cities of Cannon Falls, Clarks Grove, Fairmont, Fridley, Lindstrom, Madelia and Moorhead.
- For many manufactured homes, the property taxes attributable to rent paid for land is many times greater than the property taxes due on the structure itself.

- Under the bill, allowing 17% of rent paid for the land site to be included as property taxes payable would increase the amount of property tax eligible for the state-paid refund and the number of taxpayers eligible for a refund.
- It is assumed that 125 residents would receive an average property tax refund increase of \$600 beginning in fiscal year 2019. An additional 275 residents are projected to become eligible and receive an average refund of \$400.

Agricultural Homestead Rules Modified for Properties Owned by Trusts (Sections 10-11)

The effective date is beginning with taxes payable in 2018.

Under current law, property cannot qualify for special agricultural homestead treatment unless all of the property is under the same ownership. Portions of an agricultural homestead can be disqualified for homestead treatment if some property is owned by an individual (or trust of which the individual is a grantor) and a portion of the property is owned by a trust of which a deceased spouse was the grantor and the individual has limited interest.

The bill allows property to qualify as a special agricultural homestead when all or a portion of the property is owned by a trust for which a deceased or surviving spouse was the grantor.

- It is assumed that a small number of properties would be directly impacted by the bill.
- The bill would cause a shift in property taxes away from properties newly qualifying for special agricultural homestead and onto all other properties, including other homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by a negligible amount beginning in FY 2019.
- The bill would also increase the market value eligible for the agricultural homestead market value credit, increasing the credit by a negligible amount beginning in FY 2019.

Manufactured Home Assessment Modified (Section 12)

The effective date is August 1, 2017.

Under current law, manufactured homes do not pay taxes on storage sheds, decks, or similar improvements if the value is under \$1,000. The bill would increase the exemption value from \$1,000 to \$10,000.

- It is assumed that a small amount of value would become exempt due to the bill.
- The bill would cause a shift in property taxes away from the benefitting properties onto all other properties.
- The shift would have a negligible impact on state paid property tax refunds.

Agricultural Purposes for Local Conservation Program Definition Modified (Section 14)

The effective date is beginning with assessment year 2018.

The bill expands the definition of agricultural purposes to allow property enrolling in a local conservation program to be classified as agricultural if the property was classified as agricultural in the year prior to enrollment. Under current law, only property enrolled in state or federal conservation programs may be classified as agricultural.

- Under current law, land classified as 2a agricultural land that enrolls in a local conservation program would be reclassified as 2b non-homestead rural vacant land with a class rate of 1.00%. Under the bill, the land could remain classified as 2a agricultural land. For the 2017 assessment, the 2a agricultural land class rate is 0.50% for the first \$1.94 million of value and 1.00% for the remaining value.
- It is assumed that a small number of properties would receive a lower class rate due to the bill.
- The bill would cause a shift in property taxes away from properties newly qualifying as agricultural and onto all other properties, including homesteads.
- The shift in taxes onto homesteads would cause an increase in state-paid property tax refunds paid by less than \$5,000 beginning in FY 2020.

Classification of Property Used for Aquaculture, (Section 14)

The effective date is beginning with assessment year 2018.

Under current law, fish bred for sale and consumption are considered an agricultural product for property tax classification purposes. The bill expands the definition of agricultural products for to include all aquaculture products for sale or consumption.

- According to a survey of county assessors, there is currently one facility that would be eligible to receive agricultural classification under the bill.
- Under current law, property used for aquaculture purposes, other than breeding fish, is classified as preferred commercial property, with a class rate of 1.50%. This property is subject to the state general tax.
- Under the bill, the property used for aquaculture would be classified as agricultural, with a class rate of 0.50% for the first \$1.94 million in value and 1.00% for the remaining value.
- The bill would shift property taxes away from aquaculture property changing to agricultural classification and onto all other property, including homesteads. State general taxes would also shift away from property newly receiving agricultural classification and onto all other commercial-industrial property.
- As a result of shifting taxes onto homesteads, property tax refunds paid by the state would increase by a negligible amount beginning in FY 2020.

Classification of Storage Condominiums (Section 15)

The effective date is beginning with assessment year 2017.

Under current law, storage units in condominiums that are not used for commercial purposes are classified as 4b(1) residential non-homestead 1-3 units property with a classification rate of 1.25%. The bill allows condominium-type storage units having individual legal descriptions that are not used for commercial purposes to qualify for 4bb residential non-homestead single unit property classification. The classification rates for these properties would change from 1.25% to 1.00% for the first \$500,000 of value and 1.25% for value over \$500,000.

- It is estimated that the market value for non-commercial storage condominiums is \$52 million statewide.

- The bill would shift property taxes away from properties newly qualifying for class 4bb and onto all other properties, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by \$10,000 beginning in FY 2019.

Congressionally Chartered Veterans' Organizations Class Rate (Section 15)

The effective date is beginning with assessment year 2017.

The bill would grant a reduced classification rate for class 4c(3) properties that are owned and operated by congressionally chartered veterans organizations. The classification rate for these properties would be reduced from 1.50% to 1.0% beginning with taxes payable in 2018. The Department of Veterans Affairs would be required to provide a list of qualifying organizations to the Department of Revenue each year.

- Congressionally chartered veterans organizations in Minnesota include the American Legion and Veterans of Foreign Wars, as well as a number of other veterans organizations. Not all of the organizations located in Minnesota own property that would qualify for the reduced class rate.
- There is approximately \$104 million of market value statewide in class 4c(3) nonprofit community service oriented organization property, which includes veterans organizations. It is assumed that approximately \$52 million of this market value is for qualifying veterans organizations that would receive the reduced classification rate.
- Property taxes would shift away from properties receiving the reduced classification rate. Property taxes would shift onto all other property types, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by \$20,000 beginning in FY 2019.

Veteran's Homestead Exclusion – Annual Application Requirement Eliminated (Section 16)

The effective date is beginning with taxes payable 2018.

Under current law, homeowners must reapply each year in order to continue receiving the homestead valuation exclusion for veterans with a disability. However, an annual reapplication is not required for veteran homeowners receiving the \$300,000 exclusion for a 100% permanent disability.

The bill would require taxpayers currently receiving the benefit to reapply for the exclusion only if there is a change in ownership or use of the property. In addition, a surviving spouse would also be required to reapply for the exclusion following a change in marital status.

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

Veteran's Homestead Exclusion – Surviving Spouse First-Time Application (Section 16)

The effective date is beginning with taxes payable 2018.

Under current law, homestead property owned by a veteran with a 100% permanent disability is eligible for a market value exclusion of up to \$300,000. If the homestead is currently receiving the benefit and the veteran dies, the surviving spouse is eligible to continue receiving the exclusion for

eight additional years, or until the spouse remarries or ceases to own the property, whichever comes first. If a veteran with a 100% permanent disability did not apply for or receive the benefit before dying, then the surviving spouse is not eligible for the benefit.

The bill would allow the surviving spouse of a deceased veteran to make a first-time application for the exclusion if the veteran died after December 31, 2011 and:

- 1) the veteran had a 100% permanent disability and never applied for or received the exclusion before dying; or
- 2) the spouse has been awarded dependency and indemnity compensation.

The application must be filed within two years of the veteran's death or by June 1, 2019, whichever is later.

- The expansion of eligibility for the exclusion results in a net savings to the state due to a reduction in property tax refunds paid to veteran homesteads. The average savings per homestead with a 100% disability rating is an estimated \$510, assumed to grow annually at a 3% rate.
- In FY 2019, it is estimated that approximately 20 first-time applicant spouses would begin receiving the benefit, resulting in a net savings to the state of \$10,000.
- In FY 2019, the bill would shift an estimated \$30,000 in property tax onto all other property types, including other homesteads. This would increase homeowner property tax refunds. The overall property tax savings to the state is net of these costs.

Overvalued Property Tax Refund (Section 17)

The effective date is beginning with appeals, orders, and abatements in 2018.

The bill would allow taxpayers who had their property valuation reduced from a local, special, or county board of appeal and equalization, state board of equalization, Minnesota tax court, or an abatement from an error in valuation to appeal their valuation from the previous year in Tax Court.

If the taxpayer wins at Tax Court, the refund would be credited against next year's property taxes if the amount is less than 25 percent of the total property taxes owed. If the percentage is greater than 25 percent, the credit would be applied at a rate of 25 percent of the taxes due until the full refund is paid off. The credit would reduce the tax payable to each jurisdiction in proportion to the total taxes payable on the property.

- The estimate uses previous data from local board orders, county board orders, and state board orders.
- Data was not available for abatements or orders from the Minnesota Tax Court.
- It is estimated that appeals currently decrease the state levy by \$480,000 per year.
- The bill is estimated to decrease the state levy by an additional \$50,000 per year after the first year. This amount is converted to fiscal years for the purpose of this estimate.
- Lower state levy taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections.
- It is assumed no reduced value tax balance is greater than 25% of taxes due.
- The new credit is estimated to cost local governments \$125,000 in property tax revenue per year.

- Because the credit would reduce the tax payable on a property, local governments are assumed to adjust their levies to account for the loss in taxes. This would increase taxes on all other property in the jurisdiction.
 - Higher levies would result in higher homeowner property tax refunds, increasing costs to the state general fund.
 - Higher levies would result in higher income tax deductions, decreasing revenues to the state general fund.
- The cost to local jurisdictions may have an impact on board order decisions by local and county boards in the future.

State General Property Tax Inflation Eliminated, Exemption Provided (Sections 18-20)

The effective date is beginning with taxes payable in 2018.

Under current law, 95 percent of the state general property tax must be paid by commercial-industrial property and five percent paid by seasonal recreational property. The base state general levy amount grows each year by one plus the rate of increase of the implicit price deflator for government consumption and expenditures and gross investment for state and local governments. The bill would set the state general levy for commercial-industrial property at \$713,050,000 and the state general levy for seasonal recreational property at \$43,130,000 for taxes payable in 2018 and thereafter. It would remove the annual change in the levy amount by the rate of increase in the implicit price deflator and the apportionment requirement for the levy. The first \$200,000 of commercial-industrial property value would be excluded from state general tax.

- Because the exemption of the first \$200,000 of commercial-industrial property is combined with a decrease in the state general levy amount, taxes would not increase on the tax base that remains in the state general levy.
- By reducing the levy and eliminating the annual change in the levy amount, state revenues would be reduced by \$127.62 million in taxes payable 2018, \$146.15 million in payable 2019, \$167.95 million in payable 2020, and \$192.96 million in payable 2021. These numbers have been converted to fiscal years for the purposes of this estimate.
- Lower property taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections beginning in FY 2019.

State General Levy Underserved Municipal Distribution (Section 21)

The effective date is beginning with taxes payable in 2018.

The bill would provide a distribution of the state general levy paid by properties within a municipality back to the municipality. For municipalities located within the metro area but outside the transit district area, a distribution would be provided equal to the amount of fiscal disparities contribution tax capacity that exceeds 8% of the municipality's total net tax capacity multiplied by its municipal tax rate.

- It is estimated that three municipalities would be eligible for the distribution: the city of Coates in Dakota County, the city of Rogers in Hennepin County, and the township of Louisville in Scott County.
- The estimated total distribution to the three municipalities would be \$700,000 annually. The distribution would reduce state general property tax levy revenues to the state general fund beginning in FY 2018.

Tax Forfeiture Provisions Modified (Sections 23, 27-40, 44-45, 50)

The effective date is August 1, 2017. The six-month repurchase period for nonhomestead tax-forfeited property is effective January 1, 2018.

Under the bill:

- When the redemption period for tax-forfeited property has expired, the county auditor would have the authority to direct a business located on the tax-forfeited parcel to immediately cease operations.
- Following a tax judgment sale, the county auditor would be authorized to take actions on the property to prevent or minimize damage to the premises.
- A county would be authorized to sell tax-forfeited lands through an online auction.
- A county would be allowed to sell property on or adjacent to public water if authorized in writing by the commissioner of natural resources.
- Repurchases of tax-forfeited property must occur within six months if the property was classified as nonhomestead. (Under current law, this type of repurchase must occur within one year.)
- Eviction of a holdover tenant would be allowed after the redemption period on a real estate tax judgment sale has expired.
- An evicted tenant's personal property may be disposed of after 60 days if no payment to remove the property has been made.

The bill also makes other technical and conforming changes.

- The bill may reduce the amount of penalty collections that are distributed to schools and counties.
 - This would not impact local government aids administered by the Department of Revenue.
 - However, it may increase Department of Education payments to schools by an unknown amount.

Property Tax Due Dates and Penalties Modified (Sections 24, 26)

The effective date is beginning with taxes payable in 2018.

The bill would replace the current penalty rates for late second property tax payments (due by October 15) with the same rate structure used for late first payments:

	Current Penalty			Proposed Penalty		
	Oct 16	Nov 1	Dec 1	Oct 16	Nov 1	Dec 1
Homestead	2%	6%	8%	2%	4%	5%
Non-homestead	4%	8%	12%	4%	8%	9%

In addition, the bill would replace the current penalty rates for late second agricultural property tax payments (due by November 15) with a rate structure similar to the rates proposed for non-agricultural property:

	Current Penalty		Proposed Penalty	
	Nov 16	Dec 1	Nov 16	Dec 1
Agricultural Homestead	6%	8%	2%	4%
Agricultural Non-homestead	8%	12%	4%	8%

- The bill may reduce the amount of penalty collections that are distributed to schools and counties.
 - This would not impact local government aids administered by the Department of Revenue.
 - However, it may increase Department of Education payments to schools by an unknown amount.

Abatement of Penalty for Late Payment (Section 25)

The effective date is for taxes payable in 2018 and thereafter.

Under current law, payments to a county must be received or mailed on or before the due date. The postmark of the United States Postal Service (USPS) qualifies as proof of timely mailing. If the envelope is postmarked after the due date, the payment is late and is assessed a penalty.

The bill would require the county treasurer to abate the penalty for late payment of property taxes if the payment arrives by mail and is postmarked by USPS within one business day of the due date. Each property owner may receive this abatement only once.

- The bill may reduce the amount of penalty collections that are distributed to schools and counties.
 - This would not impact local government aids administered by the Department of Revenue.
 - However, it may increase Department of Education payments to schools by an unknown amount.

Rural Vacant Land Tax Due Date Modified (Section 26)

The effective date is beginning with taxes payable in 2018. For class 2b rural vacant land in the northern forest region, the effective date is beginning with taxes payable in 2019.

Under current law, second one-half property taxes must be paid by:

- October 15 for all non-agricultural property types, including class 2b rural vacant land.
- November 15 for agricultural property (class 1b agricultural homestead, class 2a agricultural homestead, and class 2a agricultural nonhomestead).

When class 2b rural vacant land is contiguous to and under the same ownership as agricultural land, the November 15 due date applies to the entire chain of linked parcels.

Under the bill, second one-half property taxes on any class 2b rural vacant land would be due by November 15. Penalties for late payments would first begin to accrue on November 16 and would be applied according to the changes proposed in Sections 24 and 26 of this bill.

Penalties for Late Second Payments on Class 2b Rural Vacant Land				
Current Law	Oct 16	Nov 1	Nov 16	Dec 1
Class 2b Agricultural Homestead			6%	8%
Class 2b Non-Homestead	4%	8%		12%
Proposal	Oct 16	Nov 1	Nov 16	Dec 1
Class 2b Agricultural Homestead			2%	4%
Class 2b Non-Homestead			4%	8%

- The bill may reduce the amount of penalty collections that are distributed to schools and counties.
 - This would not impact local government aids administered by the Department of Revenue.
 - However, it may increase payments to schools from the Department of Education by an unknown amount.

Carlton County Levy Authority for Recreation (Section 46)

The effective date is beginning with taxes payable taxes payable in 2018.

The bill would grant the Carlton County Board of Commissioners the authority to levy \$1,500 annually in and for the unorganized township of Sawyer for recreational purposes. According to a local official in Carlton County, the proposed levy increase would be \$1,500 and would be used for repairs to the Carlton Four Seasons Recreational Complex.

- A \$1,500 levy increase would increase property taxes for property owners in Sawyer Township.
 - Higher levies would result in negligible increases in homeowner property tax refunds, increasing costs to the state general fund.
 - Higher levies would result in negligible increases in income tax deductions, decreasing revenues to the state general fund.

Soccer Stadium Property Tax Exemption (Section 47)

Effective upon local approval by the city of St. Paul.

The bill provides for an exemption from property tax for a proposed major league soccer stadium in the city of St. Paul. Any properties with a primary purpose of providing a stadium for professional soccer are included as being exempt from ad valorem taxation by the state or any political subdivision of the state. The exemption includes property leased for stadium related purposes, including the operation of the stadium and related parking facilities.

- A professional soccer stadium built in St. Paul is estimated to have a project cost of \$150 million. Assuming a final stadium valuation of \$75 million and a completion date of late 2018 (prior to the start of the 2019 Major League Soccer season), the full effect on property taxes would start with payable year 2020. If the stadium were built without the exemption, property taxes would shift onto the stadium and away from neighboring property, including homesteads. The additional property tax burden on homesteads caused by the exemption of the completed facility will increase state-paid homeowner refunds by about \$110,000 beginning in fiscal year 2021.

- The exemption from the state property tax levy would have no impact on state revenues because the tax rates would be adjusted to yield the amount of revenue required by statute. The tax reduction for the stadium property would be shifted to the other commercial and industrial properties subject to the state levy.

Legislative Property Tax Reform Task Force and Report (Sections 48-49)

The effective date is the day following final enactment.

The bill would establish a task force to develop proposals for restructuring Minnesota's property tax system. The task force would consist of eight legislators and would receive support from legislative staff, with assistance from the Department of Revenue and Department of Education when necessary. By February 15, 2018, the task force must submit a report that includes:

- At least one proposal with a net cost to the state of no more than \$250 million in the first year of full implementation.
- At least one proposal with a net cost to the state of no more than \$500 million in the first year of full implementation.

Each proposal should estimate the administrative cost savings to county governments and to the state government.

- It is assumed that there would be no impact on the state general fund.

Repeal Additional Assessor Accreditation Requirement (Section 50)

The effective date is the day following final enactment.

In 2013, Minnesota Statute section 270C.9901 was enacted requiring assessors to obtain licensure as an accredited Minnesota assessor (AMA) by 2019, or within four years of receiving their certified Minnesota assessor (CMA), whichever was later. Prior to 2013, all assessors were only required to receive licensure as a CMA. The bill would remove the requirement created by section 270C.9901.

- The change in requirements would have no impact on the state general fund.

Article 3: Taxpayer Empowerment

Property Tax Empowerment (Sections 1-34)

The effective date varies.

Sections 1-6, 9, and 13-34 change procedures for property tax referendum elections. Under the bill, counties, cities, and school districts would be required to have elections for referenda on the first Tuesday after the first Monday in November. Referenda ballot measures dealing with disaster or emergency funding would be exempt. These provisions are effective August 1, 2017.

Sections 7-8 and 10-12 establish a reverse referendum process for county and city levies. Under the bill, a reverse referendum may be held on proposed property tax levy increases under the following circumstances:

- The proposed levy must be higher than the previous year's levy.
- The levying authority must be a county or city with a population over 500.

- By June 30th a petition signed with at least 10% of the number of votes cast in the previous general election is given to the county auditor.

If a majority of those voting at the next election do not support the levy increase, the highest the county or city may levy is the nondebt levy from two years ago plus the current proposed debt levy. These provisions are effective beginning with taxes payable 2018.

- Sections 1-6, 9, and 13-34:
 - Moving referendum spending projects from special election dates to general election dates may effect their passage rates. If passage rates change, levies would change and could effect property tax refunds and income tax deductions by an unknown amount.
- Sections 7-8 and 10-12:
 - An unknown number of reverse referendums would occur under the proposed law. Successful reverse referenda would lower levies, thus resulting in:
 - Lower homeowner property tax refunds, reducing costs to the state general fund.
 - Lower income tax deductions, reducing costs to the state general fund.

Article 5: Aids, Credits, and Refunds

School Building Bond Agricultural Credit (Sections 1-9)

The effective date is beginning with taxes payable in 2018.

The bill creates a school building bond agricultural credit. All class 2a, 2b, and 2c property, other than the house, garage, and surrounding one acre of land of an agricultural homestead, is eligible for the credit. The credit amount would be equal to 50 percent of the property's eligible net tax capacity multiplied by the school debt tax rate. The school debt tax rate would be determined for each school district based on the portion of the school district levy that is levied for debt service.

- According to the Department of Education, it is estimated that the portion of the school district levy that is levied for debt service would be \$890 million statewide in taxes payable 2018. Under current law, it is assumed that debt service levies grow statewide by 7% in taxes payable 2019 and 4% in taxes payable 2020. Due to behavioral changes for levying if the credit is enacted, levies eligible for the credit are assumed to increase beginning in taxes payable 2019 compared to the current law forecast.
- Class 2a, 2b, and 2c property other than house, garage, and surrounding one acre property are estimated to pay \$99 million of school district debt service levies in taxes payable 2018.
- The statewide cost of the school building bond agricultural credit is estimated to be \$49.3 million in taxes payable 2018. The fiscal year credit estimates reflect the 90/10 school levy recognition shift.
- Lower property taxes for property owners receiving the credit would reduce deductions on income tax returns, increasing state tax collections by \$1.73 million in FY 2019.
- Behavioral changes for levying would affect the amount of property taxes paid by all property types, including homesteads. Higher debt service levies would increase property tax burdens, increasing costs to the state general fund for property tax refunds and income tax deductions.

Regional Percentages Used for Renter Property Tax Refund (Sections 10-11)

The effective date is for claims based on rent paid in 2017 and thereafter.

For purposes of the property tax refund (PTR) program, current law allows a renter to claim 17% of the rent paid for the year as the amount of property tax paid by the renter. This figure is used, along with the renter's income, to determine eligibility for and the amount of the property tax refund.

The bill would change the percentage from 17% to the following percentages by region:

Region	Percentage of Rent Constituting Property Taxes
Minneapolis	16.5%
St. Paul	14.0%
Other 4-County Metro*	15.0%
All Other Statewide	14.0%
*Includes Anoka, Dakota, Hennepin and Ramsey (excluding Minneapolis and St. Paul)	

- The estimates are based on the February 2017 forecast property tax refund model.
- Reducing the percentage of rent constituting property taxes would lower property tax refunds for 342,000 renters by an average of \$117.
- Lower property tax refunds would result in a savings to the state general fund of approximately \$40 million beginning in FY 2019.

Border City Allocation (Section 12)

The effective date is July 1, 2017.

The bill allocates an additional \$3 million for income, sales, or property business tax reductions to border city enterprise zones for cities on the western border of the state. The allocations would be apportioned among the cities of Dilworth, East Grand Forks, Moorhead, Ortonville, and Breckenridge by population.

- The appropriation of \$3 million would increase state general fund costs in FY 2018.
- A small fraction of the enterprise zone payments are for property tax relief, and would have no impact on homeowner property taxes.

Local Government Aid Transition Cities Formula Modification (Section 13)

The effective date is beginning with aids payable in 2018.

The bill would permanently modify the calculation of LGA formula aid, expand the transition revenue need formula for cities between 10,000 and 10,500 population to include cities with populations up to 11,000, and modify the transition factor from 0.2% to 0.1% for cities between 10,000 to 11,000 population.

- Three cities with a population between 10,000 and 11,000 would be impacted by the changes to the transition revenue need formula: North Branch (10,330), Fairmont (10,421), and Big Lake (10,671).

- There would be no state cost associated with the changes from the transition revenue need and formula aid calculation because total aid is set to a fixed appropriation level. The formula changes would shift aid to qualifying cities and away from other cities receiving local government aid.

Local Government Aid Sparsity Adjustment for Populations Under 10,000 (Sections 13-14)

The effective date is beginning with aids payable in 2018.

The bill would modify the revenue need formula by adding a sparsity adjustment for cities under 10,000 population with an average population density less than 30 per square mile.

- There are 13 cities under 10,000 population that would have increased revenue need due to the added sparsity adjustment.
- There would be no state cost associated with this change in formula distribution because total aid is set to a fixed appropriation level. The formula change would shift aid to qualifying cities and away from other cities receiving local government aid.

Out of Home Placement Aid for ICWA (Section 15)

The effective date is beginning with aids payable in 2018.

The bill creates a new state aid payment to counties and tribes for costs related to the out-of-home placement of children under the Indian Child Welfare Act (ICWA).

As understood, the aid payment of \$10 million annually would be proportionately distributed based on the nonfederal share of costs incurred by a county's social service agency or a county's correctional agency for out-of-home placement, based on a three year average. These costs will be reported to and certified by the Department of Human Services and the Department of Corrections, and the aid payments to counties will be made by the Department of Revenue.

The bill also provides an annual aid payment to Indian tribes equal to the greater of: (1) \$200,000, or (2) 5% of the average federal reimbursement of out-of-home placement costs.

- According to the Department of Human Services, the estimated non-federal share of costs for out-of-home placement of children under the Indian Child Welfare Act including county correctional facility costs was approximately \$24.1 million in 2015. Counties would receive \$9.6 million in aid distributed proportionately based on their share of these costs. There are also two Indian tribes that are eligible to receive an additional \$400,000.
- The state aid payments to counties and tribes will first be made in calendar year 2018, increasing state general fund costs beginning in FY 2019.
- It is assumed that counties receiving an increase in state aid will reduce property tax levies for a portion of the increase. This will reduce property taxes on all property classes including homesteads.
- The reduced property tax burden will reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2019, resulting in a savings to the state general fund.

Local Government Aid Formula Modification (Sections 16-17)

The effective date is beginning with aids payable in 2018.

The bill would permanently modify the calculation of LGA formula aid to cities where unmet need exceeds previous year aid but current year aid is decreasing.

- There would be no state cost associated with this change in formula distribution because total aid is set to a fixed appropriation level. The formula change would shift aid to qualifying cities and away from other cities receiving local government aid.

County, City, or Town Payments Adjusted for Contributing to a World Fair (Section 18)

The effective date is beginning with aids payable in 2018.

The bill would reduce state aid to any county, city, or township making a contribution or payment to Expo2023 or any similar organization involved in the promotion or operation of a world fair or expo in Minnesota. The aid reductions would be equal to the amount of contributions or payments made by the local governments, who would be required to report these amounts by January 15 each year.

- It is unknown how many counties, cities, and townships would make qualifying contributions or payments that would result in a reduction in state aid under the bill. Any reduction in County Program Aid, Local Government Aid to cities, or Township Aid would result in a savings to the state general fund.

County and City Payments Adjusted for Driver Diversion (Section 19)

The effective date is the day following final enactment.

The bill would reduce state aid to any county or city found by the courts to have operated a diversion program not authorized by law. The bill also allows a taxpayer to challenge the legality of a diversion program in court.

- It is unknown how many counties and cities would receive a reduction in state aid under the bill. Any reduction in County Program Aid or Local Government Aid to cities would result in a savings to the state general fund.

Maximum Effort Load Aid (Section 20)

The effective date is for fiscal years 2018 to 2022.

The bill creates an aid for school districts with maximum effort loans. If a school district has a maximum effort loan outstanding as of June 30, 2016, the district will be eligible for aid equal to one-fifth of the amount of interest that has been paid on the loan between December 1, 1990 and June 30, 2016. The aid payments must be used to be used to reduce property taxes levied on net tax capacity within the district or to reduce future years' tax levies by (1) retaining aid payments in the district's debt redemption fund for up to 20 years or (2) financing a defeasance of any future payments on outstanding bonded debt. Aid would be paid in fiscal years 2018 through 2022.

- Based on estimates from the Department of Education, ten school districts will be eligible for aid payments under the bill. The new appropriation for maximum effort loan aid will increase costs to the state general fund by \$2.96 million in FY 2018 and \$3.29 million in FY 2019 through FY 2021.
- It is assumed that the increase in aid to school districts will result in a decrease in property tax levies by half the amount of the aid payment beginning in taxes payable 2018. This will reduce property taxes on all property classes, including homesteads. It is assumed that the other half of the aid payment would be used to reduce future years' tax levies through the means specified in the bill.

- The reduced property tax burden will reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2019, resulting in a savings to the state general fund.

Local Government Aid Unmet Need Formula Fix Payment (Section 21)

The effective date is for aids payable in 2017.

The bill would provide a onetime payment adjustment to cities where unmet need exceeds previous year aid but current year aid is decreasing.

- For aid payable year 2017, the additional LGA to 20 cities would increase state general fund costs by \$167,308 in FY 2018.

Local Government Aid Formula for Newly Incorporated Cities Adjusted (Section 22)

The effective date is beginning for aids payable in 2018.

Under current law, the starting point for calculating a city's local government aid (LGA) is the city's previous year formula aid. The bill would set previous year formula aid for a newly incorporated city equal to the lesser of (1) 25% of its net levy for taxes payable year 2016, or (2) 50% of its unmet need.

- The city of Rice Lake in St. Louis County was established in the fall of 2015. The city first became eligible for LGA certified in the summer of 2016 for aid payable year 2017.
- Under current law, the city of Rice Lake receives \$5,639 in aid payable year 2017. Under the bill, the city's starting point for aids payable in 2018 would be \$310,539, an increase of \$304,900.
- There would be no state cost associated with this change in formula distribution because total aid is set to a fixed appropriation level. The formula change would shift aid to the city of Rice Lake and away from other cities receiving local government aid.

Local Government Aid Forgiveness – Oslo (Section 23)

The effective date is the day following final enactment.

The bill provides a payment to the city of Oslo for its 2013 LGA withheld for failing to meet financial reporting requirements with the state auditor. The state auditor must certify that it received the city's financial reports for 2012 before December 31, 2013. An appropriation equal to \$37,473.50 is made for the payment in fiscal year 2018.

- Under current law, unpaid LGA payments cancel to the state general fund.
- The bill provides for payment of the withheld amount at a cost to the state general fund.
- The city of Oslo in Marshall County would receive a payment of \$37,473.50 in FY 2018.

Local Government Aid Forgiveness – Dundee, Jeffers, Woodstock (Section 24)

The effective date is the day following final enactment.

The bill provides a payment to cities that had all or a portion of its 2014 LGA payments withheld for failing to meet financial reporting requirements with the state auditor. The state auditor must certify

that it has received the city's financial reports for 2013 and 2014 before June 1, 2015. An appropriation equal to \$101,570 would be made for the payment before July 20, 2017.

- Under current law, unpaid LGA payments cancel to the state general fund.
- The bill provides for payment of the withheld amounts at a cost to the state general fund.
- Three cities are eligible to receive payment of withheld LGA under the bill: the cities of Dundee (\$10,600), Jeffers (\$58,064), and Woodstock (\$32,906). The three payments would total \$101,570 in FY 2018.

Mille Lacs Local Property Tax Abatement (Section 25)

The effective date is the day following final enactment.

The bill allows Aitkin, Crow Wing, and Mille Lacs Counties to grant local property tax abatements for taxes payable 2017 if a property:

1. is classified as 1c, 3a (excluding utility real and personal property), 4c(1), 4c(10), or 4c(11);
2. the taxpayer submits an application to the county auditor on or by December 31, 2017;
3. is located in one of 14 cities or towns that borders or closely borders Lake Mille Lacs;
4. documents a reduction in gross receipts of 5% or greater between two successive calendar years beginning in 2010 or later; and
5. is classified under one of the 16 specified industry classifications. Local property tax abatements would be reimbursed by the state.

The bill mandates Aitkin, Crow Wing, and Mille Lacs Counties refund the state general levy for taxes payable 2017 if a property is classified as 1c, 3a (excluding utility real and personal property), or 4c(1) and is located in one of 14 cities or towns that borders or closely borders Lake Mille Lacs.

- Businesses that meet the property classification requirement and geographic requirement are estimated to pay \$1.5 million in local property taxes in 2017.
- It is assumed 88% of the qualifying local taxes meet the industry requirement.
- It is assumed 83% of businesses qualify for the gross receipts reduction requirement.
- The local property tax abatements are estimated to cost the state general fund \$1,090,000 in FY 2018.
- Businesses that meet the state general levy refund are estimated to pay \$440,000 in 2017.
- The state levy refunds are estimated to cost the state general fund \$440,000 in FY 2018.
- The reduced property tax burden would reduce income tax deductions in FY 2018, resulting in a savings to the state general fund.

Payment in Lieu of Taxes Rate Increase (Section 26)

The effective date is for aids payable in 2017 and 2018 only.

Under current law, lands enrolled in the PILT program that are administered by counties or the Department of Natural Resources receive a per acre payment of \$1.50. For aids payable 2017 and 2018 only, the bill would add a supplemental per acre PILT payment at the rate of \$0.50 for these two types of PILT natural resources land.

- Increasing the per acre payments for these two types of PILT natural resources lands would increase annual payments to counties by approximately \$3.45 million in FY 2018 and FY 2019 only.

Homeowner Property Tax Refund Supplemental Payment (Section 27)

The effective date is for refunds based on property taxes payable in 2018 only.

For one year only, the bill would increase property tax refunds to homeowners by \$58 million by adjusting the copay percentages in the homeowner refund schedule.

- The increase in homeowner property tax refunds would increase state general fund costs by \$58 million in FY 2019 only.
- Approximately 520,000 homeowners would receive average onetime increase of \$112.

Renter Property Tax Refund Supplemental Payment (Section 28)

The effective date is for refunds based on rent paid in 2017 only.

For one year only, the bill would increase property tax refunds to renters by \$42 million by adjusting the income percentage thresholds and copay percentages in the renter refund schedule.

- The increase in renter property tax refunds would increase state general fund costs by \$42 million in FY 2019 only.
- Combined with the reduction in the percent of rent constituting property taxes in sections 10-11, approximately 184,000 renters would receive average net increase in their refund of \$77 in FY 2019 only. Another 190,000 renters would have their refund reduction moderated to an average of \$65 in FY 2019 only.

Repeal Minneapolis Debt Service Aid (Section 29)

The effective date is beginning with aids payable in 2018.

Under current law, the commissioner is required to pay the city of Minneapolis an amount equal to 40% of the levy required to pay general obligation library referendum bonds beginning in payable year 2016. The bill would repeal this aid.

- The savings to the general fund are estimated to be \$4.12 million beginning in payable year 2018.
- It is assumed that the decrease in aid would increase property tax levies beginning in payable year 2019 for a portion of the aid decrease. This would increase property taxes on all property classes, including homesteads.
- The increased property tax burden would increase state paid homeowner property tax refunds and income tax deductions beginning in FY 2020, resulting in a cost to the state general fund.

Article 6: In Perpetuity Payments on Land Purchases

Payment in Lieu of Taxes (PILT) Trust Fund (Sections 1-18)

The effective date is July 1, 2017.

The bill would create a trust fund account to provide annual payments to counties after the state acquires natural resource land. Deposits into the new trust fund account would be funded by appropriations from the Outdoor Heritage Trust Fund (OHTF) and the Environment and Natural Resources Trust Fund (ENRTF). The annual deposits would be equal to 30 times the land-related property taxes assessed for all land acquisitions in the previous year where at least 10% of the money comes from the OHTF or the ENRTF. Each year counties would receive payments from the trust fund and distribute the proceeds to each affected local government in proportion to its share of annual property taxes. The local governments receiving a payment must use the money to fund land-related services.

The acquired lands eligible for trust fund payments would no longer be eligible for annual payments in lieu of taxes (PILT) from the state general fund.

The bill would also restrict any state land acquisitions with funds from the OHTF and ENRTF if the new PILT trust fund is void or if appropriations are not made available.

- According to the Department of Natural Resources, approximately 7,000 acres purchased annually would qualify as state acquired lands and be eligible for trust account payments under the bill.
- Appropriations from the OHTF and the ENRTF would first be made in FY 2019 for land acquisitions occurring between July 1, 2017 and June 30, 2018. It is estimated that \$2.9 million would be deposited into the new trust fund annually. It is assumed that 77% would come from the OHTF (\$2.2 million) and 23% from the ENRTF (\$0.7 million).
- Annual payment distributions to counties from the new trust fund would begin in FY 2019, with approximately \$96,000 paid in the first year.
- Lands qualifying for a trust fund account payment would no longer be eligible for annual PILT payments from the state general fund, resulting in a state savings beginning in fiscal year 2020. The amount of savings would grow annually as more lands receive trust fund payments rather than state general fund PILT payments.

Article 8: Tax Increment Financing

TIF Workforce Housing (Sections 1-4)

The effective date is for districts whose request for certification is made after June 30, 2017.

The bill allows the use of economic development tax increment financing (TIF) for workforce housing projects. Municipalities qualifying for workforce housing projects must determine that 1) the city is located outside of the metropolitan area, 2) the average vacancy rate for rental housing has been three percent or less for at least the immediately preceding two-year period, 3) at least one qualifying business that employs a minimum of 20 full-time equivalent employees has provided a written statement indicating that the lack of available rental housing has impeded their ability to recruit and hire employees, and 4) the municipality and development authority intend to use increments from the district for the development of rental housing to serve employees of businesses located in the municipality or the surrounding area.

Increments from an economic development district may be spent on workforce housing projects, including the acquisition of property, construction of improvements, loans, subsidies, grants, interest rate subsidies, public infrastructure, and related financial costs for rental housing developments. The bill also allows the higher income limits under the Minnesota Housing Finance Agency (MHFA) Housing Challenge Program to be used for housing TIF districts, if the project receives an MHFA grant.

- The bill changes to the general TIF provisions 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.

TIF Technical and Policy Changes (Sections 5-8)

The effective date is the day following final enactment.

The bill modifies provisions of tax increment financing (TIF) expenditures and clarifies interfund loan requirements.

The bill modifies the definition of tax increment that is subject to the five-year rule and the pooling rule to exclude increments that are repaid by developers. The bill also adds the clarification that the percentage pooling rules only apply to increments paid by properties located in the district. The same provision is added to increments under the five-year rule. The changes to the five-year rule and pooling rule would be effective only for districts that request certification after the day following final enactment.

The interfund loans subdivision is modified to clarify reporting requirements and loan rules. The power to make interfund loans is extended to include the municipality. In addition, interfund loans may be made up to 60 days after money has been transferred or spent, they may be authorized before the TIF plan is approved, and terms may be rewritten before the TIF district is decertified. The authority must report the amount of any interfund loan or advance and any amendment of an interfund loan or advance in its annual report. The changes to interfund loan rules would be effective for all TIF districts the day following final enactment.

- The changes to the general TIF provisions 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.

TIF Burnsville (Section 9)

The effective date is following local approval.

The bill extends the city of Burnsville's authority under a 2008 special law to establish a TIF district from December 31, 2018 to March 20, 2023. The bill also extends the four-year knockdown rule to nine years, delays receipt of increment for up to eight years after the district has been approved, and gives the city the authority to waive any increment received in 2017 without affecting the duration of the TIF district.

- 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.

TIF Duluth Seaway Port Authority (Section 10)

The effective date is following local approval.

The bill allows the Seaway Port Authority of Duluth to establish an interfund loan program before approval of the tax increment financing (TIF) plan. The authority may make loans and use the proceeds for any uses permitted for tax increments. Loans may also be repaid with increments from the district. The interfund loan provision applies to action authorized by the authority on or after March 25, 2010. The bill also adds four parcels of land that may be included in the district.

- The changes to the general TIF provisions 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.

TIF Edina (Section 11, 16)

The effective date is following final enactment without local approval.

The bill provides an extension for the city of Edina to file the certificate of approval with the secretary of state for the 2014 special law regarding the establishment of housing TIF districts in the Southeast Edina Redevelopment Project Area. The extension would be until December 31, 2017. Once the certificate is filed, the 2014 special law would take effect. Any actions taken by the city prior to the effective date of this bill would be deemed consistent with the 2014 special law. The bill also extends authority to request certification until June 30, 2020.

- 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.

TIF Maple Grove (Section 12)

The effective date is following local approval.

The bill modifies a special law, enacted by the 2014 legislature, for the city of Maple Grove. The 2014 special law allowed the city to establish TIF districts subject to various special rules to help develop the site of a gravel pit. The 2014 law defined an area of the city as the project area. In addition, before proceeding under the law, the city was required to find that specific conditions existed in the defined area – specifically that certain percentage tests were met. This bill amends the special law to allow the city to designate only part of the defined area. The city is allowed to include area outside of the defined area if part of a parcel is in the defined area.

In addition, the bill allows the city to use money from soil deficiency districts for land acquisition and infrastructure outside the TIF district if it is for a development that does not include retail or housing developments. Under current law, these increments may only be used to pay for soil corrections or the additional costs of infrastructure that result from the soil deficiencies.

- The 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.

TIF Anoka (Section 13)

The effective date is following local approval.

The bill changes the certification date for the Greens of Anoka redevelopment TIF district in the city of Anoka from July 2, 2012 to June 29, 2012. By changing the certification date, the TIF law five-year rule would be extended to eight years for the district due to extensions given to redevelopment districts during the Great Recession.

- The exceptions to the general TIF provisions 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.

TIF Coon Rapids (Section 14)

The effective date is following local approval.

The bill would extend the length of the district through December 31, 2040, an extension of seven years. The bill would be effective upon compliance by the governing bodies of the city of Coon Rapids, Anoka County, and Independent School District No. 11 with approval and filing requirements.

- The proposed changes to TIF provisions 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.

TIF Cottage Grove (Section 15)

The effective date is following local approval.

The bill expands the tax increment financing (TIF) five-year rule for activities that must be undertaken within five years of certification for District No. 1-12 (Gateway North), administered by the Cottage Grove Economic Development Authority. The district is considered to have met the five-year rule if the activities are undertaken prior to January 1, 2017.

- The proposed changes to TIF provisions 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.

TIF Moorhead (Section 17)

The effective date is following local approval.

The bill changes the certification date for the 1st Avenue North (Central Corridors) redevelopment tax increment financing (TIF) district in the city of Moorhead from July 12, 2012 to June 29, 2012. By changing the certification date, the TIF law five-year rule would be extended to eight years for the district due to extensions given to redevelopment districts during the Great Recession.

- The exceptions to the general TIF provisions 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.

TIF Richfield Cedar Avenue District (Section 18)

The effective date is following local approval.

The bill allows the city of Richfield and its Housing and Redevelopment Authority to extend the duration of the Cedar Avenue Tax Increment Financing (TIF) district by ten years. This would extend the duration limit of the district from 25 years to 35 years.

- The proposed changes to TIF provisions 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.

TIF Richfield Lyndale Gardens District (Section 19)

The effective date is following local approval.

The five-year rule essentially requires development activity for a tax increment financing (TIF) district to be finished within a five-year period that begins with certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period or to the extent permitted under the pooling rules. When these obligations are paid or enough money has been collected to pay them, the district must be decertified.

The bill extends the five-year rule to eight years for the Lyndale Gardens TIF district in the city of Richfield.

- The proposed exceptions to special TIF provisions 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.

TIF Rochester (Section 20)

The effective date is following final enactment without local approval.

Under current law, the proceeds from the sale or lease of property purchased by the authority with tax increments is considered tax increment. Increment may only be used for a limited set of project costs that are defined under the development authority enabling laws.

The bill would allow tax increment financing (TIF) district number 36 (Bioscience Project) in the city of Rochester to use the proceeds from the sale or lease of any property purchased with tax increments for the costs of operating, maintaining, and improving properties acquired with tax increments, including funding and maintaining reserves for capital or operating expenses. Any remaining proceeds left at the end of the third calendar year after decertification are not subject to restrictions.

- 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.

TIF South St. Paul (Section 21)

The effective date is the day following enactment without local approval.

The bill allows the governing body of the South St. Paul Economic Development Authority to retroactively approve a previously established interfund loan for the 4th Avenue Village Tax Increment Financing (TIF) District in the city of South St. Paul. The governing body would have until August 1, 2017 to adopt a resolution approving that loan.

- 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.

TIF St. Louis Park (Section 22)

The effective date is following local approval.

The Elmwood Village tax increment financing (TIF) district in the city of St. Louis Park received authorization to extend the duration of the district in 2009. The bill extends the five-year rule on spending restrictions through December 31, 2019. The bill also allows 45 percent of total revenue derived from tax increments to be used on activities outside the district, an increase from 25 percent under current law.

- 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.

TIF St. Paul Ford Site (Section 23)

The effective date is July 1, 2017 without local approval.

The bill allows the housing and redevelopment authority of the city of St. Paul to waive increments for the Ford Motor Company plant site for up to four years, but not beyond taxes payable in 2023. If the city elects to waive increments under this authority, the district's certification date would be deemed to be January 2 of the assessment year for the first year is first received under the waiver for the purposes of calculating the five-year and four-year rules.

- The changes to this 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.

TIF Newport (Section 24)

The effective date is following local approval.

The bill allows Washington County to establish redevelopment tax increment financing (TIF) districts in an area defined as the "Newport Red Rock Crossing Project Area" in the city of Newport. The requirements for a redevelopment district would not apply to 12 parcels in the project area. These parcels would be deemed substandard for the purpose of qualifying as a redevelopment district. Increments must be spent according to the rules for redevelopment districts, but increment may be spent outside of the district as long as it is spent in the project area. Over the life of the district, no more than 80 percent of revenue from increments may be spent on activities outside the district but within the project area. The bill also exempts the project area from rules regarding the

use of revenues for decertification. Authority to establish a TIF district would expire December 31, 2027. The exceptions to certain TIF requirements made by this bill would also be retroactive for the redevelopment district approved by Washington County on November 8, 2016.

- 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.

TIF Wayzata (Section 25)

The effective date is following local approval.

The five-year rule requires 75 percent of tax increment revenues derived from a redevelopment tax increment financing (TIF) district after the fifth year to be spent to decertify the district. After the fifth year, money may only be spent to (1) pay bonds or contracts that financed improvements, if bonds were issued before the end of the five-year period or (2) reimburse the developer for costs it paid to make improvements in the district during the first five years. When these obligations are paid (or enough money has been collected to pay them), the district must be decertified.

The bill exempts TIF District 3 (Widsten) in the city of Wayzata from the five-year rule spending restrictions. The district would be allowed to use revenues from tax increments for any project considered by the original financing plan for the district, including a municipal parking ramp in the district. The bill also removes the requirement that revenues derived from the district after the fifth year be spent to decertify the district.

- The proposed exceptions to the general TIF provisions 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 9: Public Finance

Reverse Referendum Approval of Issuance of Debt Provided (Section 5)

The effective date is August 1, 2017.

This bill would require counties, cities (with the exception of first class cities), and urban towns to hold a hearing and be subject to a reverse referendum before executing certain leases. The city must hold a public hearing and publish a notice of intention in a local newspaper 14-28 days before the hearing. If ten percent of the votes from the previous election sign a petition, the proposed lease is subject to an election and would require approval by a majority those voting in order for the lease to be authorized. Leases subject to these requirements are for property acquired or improved with the proceeds of obligations issued by a housing and redevelopment authority (HRA), economic development authority (EDA), port authority, or similar authority.

- An unknown number of reverse referendums would occur under the proposed law. Successful reverse referenda would cancel or delay public building projects. This could lower levies, thus resulting in:
 - Lower homeowner property tax refunds, reducing costs to the state general fund.
 - Lower income tax deductions, increasing revenues to the state general fund.

Metropolitan Council Bonding Authority (Sections 7-8)

The effective date is the day following final enactment.

The bill authorizes the Metropolitan Council to issue up to \$126 million in certificates of indebtedness, bonds, or other obligations for capital expenditures prescribed in the council's transit capital improvement program. Of the total authorization, the council may issue debt obligations of up to \$82.1 million after July 1, 2017 and \$43.9 million after July 1, 2018.

The bill also prohibits the council from spending any proceeds from the bonding authorization on project development, land acquisition, or construction to establish or expand light rail transit lines. This prohibition would not include any binding contracts entered before March 25, 2017.

- Bonding principal and interest would be paid by increasing property tax levies.
- Based on data from the Metropolitan Council, \$3.1 million of new debt service would be paid in taxes payable year 2018. Debt service levies would increase in future years as more of the authorized bonds are issued.
- Any additional debt service levies would increase homeowner taxes starting in taxes payable 2018. Property tax refunds would increase by about \$160,000 in FY 2019.
- Additional deductions for income tax itemization would lower income tax receipts. Income tax collections are estimated to be reduced by \$120,000 in FY 2019.

Article 12: Miscellaneous

Zip Rail Project Expenditures and Powers Restricted (Sections 1-3, 5, 18, 20)

The effective date is the day following final enactment.

The bill would prohibit state or local public money from being used for any costs related to passenger rail facilities or operations between the city of Rochester and the Twin Cities metropolitan area. The restriction would not apply to voluntary private contributions.

The bill also would prohibit the use of eminent domain for the rail project, require state officials to obtain security guarantees if they lease state property for use in the project, and require any passenger rail project exceeding \$1 billion in capital costs to have environmental insurance.

- There is no impact to property taxes or state paid aids or credits.

Biennial Notice and Referendum, Municipality Raising Revenues (Section 4)

The effective date is the day following final enactment.

Under current law, a city may impose a fee on public utilities to defray the increased costs they incur from providing government services to the public utility. The bill would limit the fee to a five-year duration and require a public notice, a public hearing, and provide a reverse referendum opportunity for residents. Current fees that do not expire before 2022 would be required to go through the same process.

- An unknown number of reverse referendums would occur. This may lead to cities raising their levies by an unknown amount to cover the loss in revenue from the fees. Higher levies would lead to higher property taxes for property owners.

- Higher levies would result in higher homeowner property tax refunds, increasing costs to the state general fund.
- Higher levies would result in higher income tax deductions, decreasing revenues to the state general fund.

Taconite Municipal Aid Guarantee Modified (Sections 16-17)

The effective date is beginning with distributions in 2018.

The bill would modify taconite production tax distributions by changing the guarantee for the taconite municipal aid account and annually indexing the cents per ton distribution rate for inflation.

- The changes to the local distribution of taconite production taxes would have no impact on the state general fund.
- The increased distribution to cities and townships would equal approximately \$1.2 million for distribution year 2018, \$0.8 million for distribution year 2019, and \$0.5 million for distribution year 2020.
- The increased distribution to cities and townships would reduce distributions to the Taconite Environmental Protection Fund (2/3) and the Douglas J. Johnson Economic Fund (1/3).

Fees Related to Local Government Permitted Use Prohibited (Section 19)

The effective date is August 1, 2017.

The bill would change the authority of municipalities when establishing fees for municipal planning. The bill would no longer allow municipalities to impose fees for permits when the permit is for a currently permitted use under local zoning ordinances.

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

Previously Distributed Taconite Tax Proceeds (Section 21)

The effective date is retroactive to May 22, 2016.

The bill would allow the commissioner of Iron Range Resources and Rehabilitation (IRRR) to use unspent funds from a 2007 distribution for a Highway 1 Corridor economic development project in St. Louis County. The funds would be available until expended and would not lapse or cancel.

- The original distribution of 10 cents per ton amounted to approximately \$3.8 million.
- There would be no impact to the state general fund from clarifying the authority of IRRR to use the unspent funds.

Taylor's Falls Border City Development Zone (Section 22)

The effective date is July 1, 2017.

The bill allows the city of Taylor's Falls to designate all or any part of the city as a border city development zone. The bill allocates \$100,000 for income, sales, or property business tax reductions from the existing border city zone allocation.

- The allocation of \$100,000 would come from the existing border city zone allocation and would not increase state general fund costs.

Repeal Lewis & Clark Debt Service Aid (Section 24b)

The effective date is the day following final enactment.

The bill repeals the debt service aid for the Lewis & Clark joint powers board.

- Repealing the aid would reduce state general fund costs by \$1.3 million in FY 2018 and \$2.4 million in FY 2019 and thereafter.

Articles 18, 19, 20, 22, 24: Department Policy and Technical Provisions

The bill makes modifications to certain property tax provisions. Changes include changing definitions relating to the taxation of airflight property, modifications to the timing of taxation of wind energy conversion systems, providing the commissioner with authority to determine the types of exemptions for which a taxpayer must file a statement of exemption, requiring homestead applicants to provide the Social Security number of a married spouse not occupying the property, and adding additional language to improve and clarify the administration of a number of state programs.

The bill also makes a number of technical and clarifying changes to various property tax provisions. Changes include clarifying the assessment of transportation pipelines, adding clarifying dates and specifying clerical error correction deadlines, clarifying that certain certifications issued by the Department of Revenue expire after four years, and removing obsolete language and correcting administrative language.

- There is no impact to the state general fund from the changes.

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

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