

# 2010 PROPERTY TAX LEGISLATIVE BULLETIN

## (2010 Regular and First Special Session)

MINNESOTA • REVENUE

Appeals and Legal Services Division  
600 North Robert Street  
Saint Paul, Minnesota 55146-2220

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Unless otherwise noted, the provisions discussed in this bulletin can be found in 2010 Minn. Laws, Chapter 389, and 2010 Minn. Laws, First Special Session, Chapter 1.

### PROPERTY TAXES AND AIDS

**Requirements for, study of, and report on tax expenditures.** Minn. Stat. ch. 3 was amended by adding the new § 3.192, to require that each new legislative bill that creates, renews, or continues a tax expenditure must include a statement of purpose, and a standard or goal against which its effectiveness can be measured. Effective for tax expenditures enacted after July 1, 2010.

An uncoded provision effective May 28, 2010, requires the commissioner of revenue to make a report by February 15, 2011 to certain members of the legislature suggesting a process for the periodic review and elimination of tax expenditures (as defined in Minn. Stat. § 270C.11, subd. 6). An uncoded provision appropriates \$60,000 to the commissioner of revenue from the general fund in fiscal year 2011 for the report. Effective July 1, 2010.

**“Local Performance” per capita aids.** Minn. Stat. ch. 6 was amended by adding the new § 6.91, that contains new state aid payment and notification requirements for the commissioner of revenue. The basics of the new requirements for the commissioner of revenue are that: (1) by August 1 each year, the state auditor will certify to the commissioner of revenue those counties and cities that are participating in the “Local Performance Measurement and Reporting” program; (2) by August 10 each year the commissioner of revenue will notify those participants of their exemption from the levy limitations in Minn. Stat., § 275.70-275.74 for levies certified that year (taxes payable in the next year); and, (3) on the second payment date provided in Minn. Stat., § 477A.015 each year, the commissioner of revenue will pay the lesser of \$0.14 per capita or \$25,000 to each participant. An open and standing annual appropriation from the general fund is made to the commissioner of revenue to fund the required payments. Effective December 31, 2010.

**Animal tuberculosis control zones.** Minn. Stat. § 35.224, subs. 1 and 2, was amended to change the terminology and substance of the statute authorizing the State Board of Animal Health to control tuberculosis of cattle, bison, goats, and farmed cervidae within the state. The Board now has clear authority to work towards eradication of the disease and prevent the movement of animals. The changes in terminology eliminate the zone designations currently used in the property tax credit provisions of Minn. Stat. § 273.113. Effective July 1, 2010. 2010 Minn. Laws, Chapter 333.

**Assessors’ appraisal reports and testimony as evidence in court.** Minn. Stat. §§ 82B.035, subd. 2, 270.41, subd. 5 and 273.061, subs. 7 and 8 were amended to clarify the duties of licensed assessors. The change to Minn. Stat. ch. 82B, which licenses appraisers, clarifies that this chapter does not prohibit assessors from performing duties enumerated in § 273.061, subs. 7 and 8. Minn. Stat. § 273.061, subs. 7 and 8, which deal with the duties of local and county assessors respectively were amended to specify that county assessors and local assessors, when directed by the county assessor, may perform property appraisals, review original assessments, determine the accuracy of the original

assessment, prepare appraisal reports and testify in court on behalf of the assessor's jurisdiction. Minn. Stat. § 270.41, subd. 5 was amended to clarify that assessors will not lose their assessor's license if they perform these duties. Effective May 16, 2010 for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved except that the provision dealing with local assessors' duties is effective on August 1, 2010. 2010 Minn. Laws, Chapter 354.

**State payment of school district debt.** Amended Minn. Stat. § 126C.55, subd. 6, to strike a reference to the "truth in taxation" hearing previously required under § 275.065, subd. 6. Those hearings were eliminated by 2009 Minn. Laws, Chapter 88, Article 3, Section 4, amending § 275.065, subd. 6. Effective August 1, 2010. 2010 Minn. Laws, Chapter 382.

**Regional library support-grant requirements.** Minn. Stat. § 134.34, subd. 4, was amended to limit department of education grants to regional library systems if a city or county participating in the system reduces its support of public library services beyond certain limits. Two references to Minn. Stat. § 273.1398 were corrected so that the references are to the proper section – § 273.1384. Also changed several references to "credits" and "credit reductions" which clarified that the involved language refers to market value credit reimbursements under § 273.1384 and associated reimbursement-reductions. Effective retroactively to changes in support made in 2009 and thereafter for grants paid in FY10 and thereafter.

**Taxation of park trailers.** Repealed Minn. Stat. § 168.098, containing obsolete language concerning the taxation of park trailers. The current provisions are found in § 168.012, subd. 9. Effective August 1, 2010. 2010 Minn. Laws, Chapter 382.

**Energy usage or source improvements.** Minn. Stat. ch. 216C was amended by adding new sections 216C.435; 216C.436; 429.021, subd. 1; and 429.101, subd. 1, to provide that, upon petition by the owners, the local governments authorized in the new laws may finance defined cost-effective energy usage or source improvements to real property that are repaid through the imposition of assessments against the property that are payable in installments. Effective April 2, 2010. 2010 Minn. Laws, Chapter 216 (as amended by 2010 Minn. Laws, Chapter 389, Article 7).

**Airflight property tax rate.** Minn. Stat. § 270.075, subd. 1, is amended to require the commissioner of transportation to certify the amount of the property tax portion of the state airports fund to the commissioner of revenue by December 31 of each year instead of September 1. The commissioner of revenue uses this amount to determine the rate of tax on airflight property. Also provides that the property tax portion may include a portion of the balance in the state airports fund as determined to be available by the commissioner of transportation and requires the commissioner of transportation to state the total fund appropriation and individually list the estimated fund revenues and account carryover balance in the airport fund. The difference in these amounts is the property tax portion of the state airport fund appropriation. If the amount is not certified by December 31 of a levy year the commissioner of revenue is directed to use the last previous certified amount to determine the rate of tax and notify the chairs and ranking minority members of the committees of the house and senate having jurisdiction over the department of transportation. In addition, an erroneous citation is corrected. Effective for taxes payable in 2011 and thereafter.

**Airflight property tax, notice of payment dates.** Minn. Stat § 270.075, subd. 2, is amended to change the date that the commissioner of revenue is required to notify airline companies of their tax amount from December 1 to March 1 following the levy of the tax. The date for payment of the tax is changed from January 1 to April 1 following the levy. Effective for taxes payable in 2011 and thereafter.

**Contamination tax.** Minn. Stat. § 270.97 was amended to specify that the commissioner of revenue is to deposit the state's receipts in the state's special revenue fund. Effective July 1, 2010. 2010 Minn. Laws, First Special Session, Chapter 1. The statute was also amended to clarify that, annually, the balance in the contaminated site and clean-up account within the special revenue fund, not just the current year deposits, are appropriated to the Department of Employment and Economic Development. Effective August 1, 2010. 2010 Minn. Laws, Chapter 382.

**Erroneous cross reference correction.** Corrected an erroneous cross reference in Minn. Stat. § 270C.87 which requires the commissioner to periodically revise the Minnesota assessors' manual. The current cross reference is to Minn. Stat. § 270C.06 which refers to the commissioner's power to promulgate rules. The assessors' manual is not a rule, therefore the correct cross reference is to Minn. Stat. § 270C.85 which refers to the commissioner's powers and duties with respect to property tax administration. Effective May 28, 2010.

**Commissioner's authority to order a reassessment.** Minn. Stat. § 270C.94, subd. 3, was amended to provide that in the event that the assessor does not appraise at least one fifth of all parcels in the district or county during the year, the commissioner has the discretion to order a reappraisal of all property in the district or county. Under current laws the commissioner is mandated to order the reappraisal. Effective May 28, 2010.

**Property tax system benchmarks and critical indicators.** Minn. Stat. ch. 270C was amended by adding the new § 270C.991. Subdivision 4 establishes a property tax working group, and requires the commissioner of revenue to chair the initial meeting of the group and provide administrative support for the group. Subdivision 6 requires that the revenue estimates prepared by the department of revenue for legislative bills must identify how the tax system principles contained in the new statute apply to the proposal. And, subdivision 7 appropriates \$30,000 in fiscal year 2011, and \$25,000 in each fiscal year thereafter, from the general fund to the commissioner of revenue for the duties imposed under subdivision 6. Effective May 28, 2010.

**Business incubator property.** Minn. Stat. § 272.02, subd. 31, was amended to change the sunset of the exemption for qualifying business incubator properties from 2011 until 2016. Effective May 28, 2010.

**Property leased to charter schools.** Minn. Stat. § 272.02, subd. 42, was amended by adding the new paragraph (b), to provide a new exemption from property tax for property leased to a charter school for instructional or administration purposes if the lessor is: (i) a nonprofit corporation or association exempt from federal income taxes, (ii) a public school, college, or university, (iii) a church, or (iv) the state or a political subdivision of the state. The property must be used for K-12 education, special education, or administrative services related to that educational activity. If the lessor is a nonprofit corporation or association, the lease must give the school an exclusive right to use the property. Effective for assessment year 2010, taxes payable in 2011, and thereafter. 2010 Minn. Laws, Chapter 216, Section 5.

**Apprenticeship training facilities.** Minn. Stat. § 272.02, subd. 86, was amended to expand the exemption. First, qualifying properties may be located in additional cities outside of the metro area because the old minimum was a population of 7,500 or greater, and that has been changed to 7,400 or greater. Second, qualifying properties may now be located in a township if the township had a population of 2,000-2,999 according to the 2000 census, and the property was previously a school building exempt from the payable 2010 property taxes. In addition, the existing five-acre limit for the exemption is expanded to ten acres for qualifying properties located in towns. Effective for the 2010 assessment, taxes payable in 2011, and thereafter. 2010 Minn. Laws, Chapter 216, Section 6.

**Leased seasonal-recreational land.** Minn. Stat. § 272.0213, was amended to provide that leased federal lands are exempt without the county board election otherwise required under the section. Effective beginning with taxes payable in 2011.

**Statement of exemption.** Minn. Stat. § 272.025, subs. 1 and 3, were amended to require churches and schools to file a property tax exemption application in order to be exempt. The application requirement is only for newly-exempt properties and this change will not require subsequent filings after the initial filing. Effective for taxes payable in 2012 (assessment year 2011) and thereafter.

**Wind energy production tax non-filer calculation.** Minn. Stat. § 272.029, subd. 4, was amended to increase the default tax calculation from 40 percent to 60 percent of nameplate capacity for owners who do not file the required reports with the Department of Revenue by the due date. The current default calculation can result in taxpayers who do not file the required reports paying less tax than if they had complied with the law. Effective for reports due on February 1, 2011 and thereafter.

**JOBZ wind energy production tax exemption.** Minn. Stat. § 272.029, subd. 7, was amended to clarify that the JOBZ exemption from the wind energy production tax is available only if the wind energy production system is owned by a taxpayer who has entered into a business subsidy agreement that covers the area where the system is situated. Effective May 28, 2010.

**Green Acres.** Minn. Stat. § 273.111, subd. 3a, was amended to allow property that became ineligible for Green Acres benefits under 2008 law changes to remain in the program until the 2013 termination date even though it is transferred; if the transfer is from a limited liability company upon its termination to a son or daughter of an individual who had an ownership interest in the company. Effective for taxes payable in 2011 and thereafter. Also amends Minn. Stat. § 273.111, subd. 4, to modify the statutory procedures for determining and implementing the annual county average agricultural land values. The changes specify that the commissioner is to consult with the Department of Applied Economics at the University of Minnesota in developing annual county-wide agricultural-use values for lands, making adjustments when appropriate for certain macro-economic data; and, that county assessors, in consultation with the Department of Revenue, are to consider soil types and market values when deviating within the county from the county-average value. Effective for assessment year 2012 and thereafter.

**Extension of Green Acres withdrawal deadline.** Minn. Stat. § 273.111, subd. 9, was amended to change the date before which owners and taxpayers can withdraw land made ineligible by the 2008 changes from the “Green Acres” program without triggering the general law requirement that three years of tax benefits be repaid. The date is changed from May 1, 2010 to August 16, 2010. Effective for lands withdrawn after April 30, 2010. 2010 Minn. Laws, Chapter 215, Article 13, Section 1.

**Aggregate Resource Preservation.** Minn. Stat. § 273.1115, subs. 1 and 3, were amended to correct a cross-reference to Minn. Stat. § 273.13, subd. 23, par. (l), because that paragraph is now coded as paragraph (m); and, to correct and amend the statutory and other references dealing with the affidavit required to qualify for the Aggregate Resource Preservation market-value exclusion because the owner of the qualifying property will not have necessarily filed the equivalent affidavit that is required if the property is to qualify for the preferential class rate in § 273.13, subd. 23(m). Effective August 1, 2010. 2010 Minn. Laws, Chapter 382.

**Tax credits for property in bovine TB zone.** Minn. Stat. §§ 273.113, subd. 3, and 273.1392, were amended to clarify that reimbursements to school districts, to compensate for the tax revenues foregone

due to the credit, are to be paid in bi-monthly installments by the commissioner of education as prescribed in Minn. Stat. § 273.1392; rather than annually by the commissioner of revenue. Effective retroactively for taxes, and reimbursements, payable in 2009 and thereafter.

**Rural Preserves.** Minn. Stat. § 273.114, subs. 1, 2, and 5, were amended to change certain requirements for the Rural Preserves property tax program. The enrollment for a conservation management plan is changed to requiring a conservation assessment plan, and the requirement for having a reliable field inventory of the individual conservation practices and types for the land is changed to requiring a United States Department of Agriculture field map. The requirement that the land cannot be withdrawn from the restrictions under the covenant (required for participation in the program) until after five years from the request to terminate, is changed to allow the land to be withdrawn from the restrictions (and benefits) three years after the request. The requirement that the request to withdraw cannot be made in the first five years of participation is unchanged. The prohibition against also being enrolled under Minn. Stat. § 273.117 was stricken because that is not a redundant benefit; and, a prohibition against also being enrolled in the Metropolitan Agricultural Preserve Program was added because that does provide essentially the same benefits. Effective May 28, 2010.

**Cooperative manufactured home parks.** Minn. Stat. § 273.124, subd. 3a and Minn. Stat. § 273.13, subd. 25, were amended to change the definition of homestead treatment for these properties. Under the new provisions, the park qualifies for a .75% class rate if more than 50% of the lots in the park are occupied by shareholders in the cooperative corporation or association, and a class rate of 1% if that threshold is not met. Under current law the park has a 1.25% class rate and an administratively more difficult method of providing homestead treatment to qualifying individual lots. Effective for taxes payable in 2011 and thereafter.

**Homesteads owned by family farm corporations, joint farm ventures, and limited liability companies or partnerships.** Minn. Stat. § 273.124, subd. 8, was amended to provide that the first-tier class rate applicable to an agricultural homestead of an individual owner extends to land owned by a qualified legal entity if the owner is a shareholder, member, or partner of the entity and the land is located within four townships of the individually owned land. Notice to the assessor by July 1 of the assessment year is required. Effective for taxes payable in 2011 and thereafter.

**Limitation on homestead treatment.** Minn. Stat. § 273.124, subd. 11, was amended to eliminate the provisions of paragraphs (a) and (b) having to do, respectively, with provisions that were effective only for taxes payable in 2003 through 2005 and 2003 only. Effective August 1, 2010. 2010 Minn. Laws, Chapter 382.

**Agricultural homesteads affected by floods.** Minn. Stat. § 273.124, subd. 14, was amended by adding the new par. (j), to allow parcels in Marshall county that were classified as agricultural homesteads for property tax purposes for the 2008 assessment to remain so classified even if the person occupying the property as their homestead abandoned the dwelling as a result of the March 2009 floods. The property must remain under the same ownership; continue to be used for agricultural purposes; and, the person's new dwelling must be in Minnesota and within 50 miles of one of the parcels of agricultural land owned by the taxpayer. Applications are required. Effective for taxes payable in 2011 and 2012 only.

**Resorts and marinas.** Minn. Stat. § 273.13, subd. 22, was amended to allow the owner of a class 1c homesteaded resort to maintain the 1c classification on that resort even if they begin residing in, and claiming the homestead classification for, another resort that they own. The two resorts have to be in the same township to qualify. Amends Minn. Stat. § 273.13, subd. 25(d)(11), to allow riparian land used for a marina that provides public access to a lake or river to qualify for a non-commercial class rate, even if

the lake or river access point is on an abutting parcel of publicly owned land. Effective for taxes payable in 2011 and thereafter.

**Commercial horse boarding as an agricultural use.** Minn. Stat. § 273.13, subd. 23(i)(3), was amended to clarify that the existing provision defining the commercial boarding of horses as an agricultural product for property tax purposes, encompasses a reasonable amount of land used for horse training and riding instructions that are related to the boarding operation. Also clarifies that “pasture” (i.e., forage) grown for sale is an agricultural product. Effective for taxes payable in 2011 and thereafter.

**Carry-forward of market value credit reimbursement reductions.** Minn. Stat. § 273.1384 was amended by adding the new subdivision 6, to carry-forward for future years the 2010 market value credit reimbursement reductions implemented by the reductions under Minn. Stat. § 477A.0132. Effective for taxes and credit-reimbursements payable in 2011 and thereafter. 2010 Minn. Laws, Chapter 215, Article 13, Section 2 (as amended by 2010 Minn. Laws, First Special Session, Chapter 1, Article 13, Section 1).

**Truth in taxation (“TNT”).** Minn. Stat. § 275.065, subd. 3, was amended to clarify that only a single budget discussion meeting need be identified on the TNT notices and held after 6:00 p.m. for the affected local taxing authorities. Law changes made in 2009 eliminated the requirement that counties, schools, cities over 500 population, regional library authorities, and metropolitan special taxing authorities hold a TNT meeting. However, a new requirement was enacted to require that the TNT notices indicate when each of the affected taxing authorities would hold budget discussion public meetings, held after 6 p.m., at which the public would be allowed to speak. This implied that the TNT notices must contain information for every meeting at which the authority’s budget and levy would be discussed. The intent was only to require this for one public meeting. Also clarified that this information need not be provided on the notices with regard to cities that were not required under prior laws to hold a TNT meeting in the first place (those of population 500 or less). Effective retroactively for taxes payable in 2010 and thereafter (TNT notices issued in 2009 and thereafter). The subdivision was also amended to clarify that no personal home address or phone number need be on the notice if the local unit does not have an official address or phone. Effective for notices prepared in 2010 for taxes payable in 2011 and thereafter.

**Levy limits.** Minn. Stat. § 275.70, subd. 5, clause (22), was amended to permanently expand the current ‘special levy’ provision that allows a local unit to levy outside of its limit to recoup the reduction in revenues caused by reductions to the specified aid and credit amounts due to an unallotment either in the year the levy amounts are certified or in the prior year, so that the authority to recoup reductions in those aids or credits due to legislative actions is also included. Also, the special levy authorized under clause (25), was amended to make a technical correction in that language which allows a special levy for the estimated amount of other reductions to market value credit reimbursements for credits payable in the year for which the levy is payable. Effective for taxes payable in 2011 and thereafter. 2010 Minn. Laws, Chapter 215, Article 13, Section 3.

**Overall levy limitations.** Minn. Stat. §§ 275.70, subd. 5; 275.71, subs.4 and 5; and 475.755 were amended. The changes added cross-references and clarifications so that the existing limitations on special levies in section 275.70, subd. 5, cl. (2) do not impinge on the new special levy authority under § 475.755 for repaying emergency debt certificates issued to cover revenue decreases resulting from unallotments. Additionally, the changes to the recently enacted § 275.70, subd. 5, cl. (22), limit that new special levy authority to covering the impact of announced unallotments on the following year’s revenues, even if more than one year of unallotments are known when the levy is being set.

Minn. Stat. § 275.71, subd. 4, was amended to clarify that a negative change in the Implicit Price Deflator is not “growth” for this purpose. Effective for taxes payable in 2011 and thereafter. Minn. Stat. § 275.71, subd. 5, was amended to clarify that unallotments of aid amounts normally subtracted from a taxing authority’s levy limit base in computing the unit’s levy limit, do not reduce the aid amounts being subtracted so as to automatically increase the local unit’s levy authority; but, instead must be dealt with through use of special levy authorities, or by other means. Effective retroactively for taxes payable in 2010 and thereafter.

An uncoded law (2010 Minn. Laws, First Special Session, Chapter 1, Article 13, Section 5) validates the use of clause (22) to levy for taxes payable in 2010 for state aid, and reductions due to unallotments implemented at the time, and prevents the use of the special levy authority in cl. (22) to levy for taxes payable in 2011 for a recoupment of an aid or credit-reimbursement payable in 2008 or 2009. Effective May 22, 2010.

**Levy limitations.** Minn. Stat. § 275.75 was amended to change the statutory exception to municipal charters so that a municipality may increase its property tax levy by the amount of any special levy the municipality qualifies for under § 275.70, subd. 5, clauses 22 (to recoup the known amount of certain state aid or credit-reimbursement reductions due to unallotments or other law) or 25 (to recoup estimated reductions in certain credit-reimbursements), notwithstanding any charter provision that would limit the overall levy to a smaller amount or require voter approval for the increase. Effective for levies payable in calendar year 2011 and thereafter.

**Electronic payments.** Minn. Stat. § 276.02 and § 279.025, were amended to allow the payment of property taxes by electronic payments, including automated clearing house transactions and federal wires. Charges for dishonored payments are added to the tax and collected as a part of it. Effective for taxes payable in 2011 and thereafter.

**State property tax levy.** Minn. Stat. § 276.112 was amended to change the dates on which the estimated and final amounts of the state’s property tax levy receipts are transmitted to the state by the respective county treasurers. Instead of twice a year, the receipts will now be transmitted up to four times a year according to the same schedule and procedures that apply to school district property tax receipts. Effective for distributions beginning October 1, 2010 and thereafter. 2010 Minn. Laws, First Special Session, Chapter 1.

**Property tax due dates.** Minn. Stat. § 279.01, subd. 1, was amended so that if the tax on a single tract of land under common ownership for the year exceeds \$100 (was \$250), the owner may pay the tax in two installments on the dates provided in statute, rather than on the date the first installment is due; and, in the case of multiple tracts within the county under common ownership, the county may by resolution allow owners to pay the aggregate amount in two installments, rather than all on the first installment date, if the aggregate taxes exceed \$100 (was \$250). Effective for taxes payable in 2011 and thereafter.

Amends Minn. Stat. § 279.01, subd. 3, to update and change references within the law that allow the second annual installment of the property tax on certain properties to be paid on November 15 instead of October 15. Under changes made to the property tax classification statutes in 2008, “agricultural nonhomestead” property is now classified in different paragraphs; and, substantive changes made at the same time resulted in different properties qualifying under what would otherwise now be the equivalent new paragraphs. Effective for taxes payable in 2012 and thereafter, agricultural property in class 2a will qualify for the later payment date. Effective for taxes payable in 2010 and 2011, class 2b property will also qualify for the later payment date, but only if that land qualified for the later payment date for taxes payable in 2009.

**Obsolete references.** Minn. Stat. § 279.37, subd. 1, having to do with allowing installment agreements for paying delinquent property taxes over an extended time was amended. A reference to “timberland” was stricken, and replaced with references to “rural vacant land” and “managed forest land.” These changes were made necessary by the 2008 changes to the property tax classification statute and will not change the properties that qualify for the installment payment option. Effective May 28, 2010.

**References to “Internal Revenue Code.”** Minn. Stat. § 289A.02, subd. 7, was amended to change the version of the Internal Revenue Code that is referenced in the definition contained in Minn. Stat. § 272.03, subd. 13, so that, for the purposes of Minn. Stat. chs. 270 through and including 284, a statute that refers to the “Internal Revenue Code” refers to the United States Internal Revenue Code of 1986, as amended through March 18, 2010; unless the context in which the phrase occurs clearly provides otherwise. This has the effect of incorporating into the statutes which use the phrase, any changes to the Code made between the prior cut-off date of March 31, 2009 and the new cut-off date. Effective April 2, 2010. 2010 Minn. Laws, Chapter 216, Section 7.

**Special service districts; Housing improvement areas.** Minn. Stat. §§ 428A.12, and § 428A.18, subd. 2, were amended to change the percentage of homeowners who would be subject to the fees in the proposed area that must join in a petition in order for a city to create a housing improvement area by resolution, from 25% to 50%; and, to change the required percentage of homeowners in the proposed area who may block the creation of the area from 35% to 45%. Effective beginning with petitions and objections filed July 1, 2010.

**Economic development districts.** Minn. Stat. § 469.101, subd. 1, was amended to strike obsolete limiting language regarding the creation of economic development districts by economic development authorities. Effective for economic development districts created after May 28, 2010.

**Municipal industrial development; qualified green building and sustainable design projects.** Minn. Stat. § 469.153, subd. 2, was amended and the new section 469.1655, was enacted to add the qualified green building and sustainable design projects specified in the new § 469.1655 to the allowed projects that a Municipal Industrial Development authority may undertake. Effective April 2, 2010 and thereafter for bonds issued after June 30, 2010. 2010 Minn. Laws, Chapter 216, Sections 24 and 25.

**Tax increment financing; compact development districts.** Enacted the new Minn. Stat. §§ 469.174, subd. 10c, 469.175, subd. 2b, and 469.176, subd. 1i; and, amended Minn. Stat. § 469.176, subd. 1b, to add 25-year compact development districts to the types of districts that may be created by government entities authorized to utilize tax increment financing. Initially, 70% of the area of the district must include commercial or industrial use buildings, and the plan for the project must provide for a three-fold increase in such usage. Effective for districts for which certification is requested after June 30, 2010 and before July 1, 2012. 2010 Minn. Laws, Chapter 216, Sections 26, 28, 29, and 30.

**Tax increment financing; tourism facility.** Minn. Stat. § 469.174, subd. 22, was amended to add development region 1 as an allowable site for a tourism facility, as defined under current law, that is financed with tax increments. Development region 1 includes Kittson, Roseau, Marshall, Pennington, Red Lake, Polk, and Norman counties. Effective for districts for which certification is requested after June 30, 2010. 2010 Minn. Laws, Chapter 216, Section 27.

**Tax increment financing; economic development districts.** Minn. Stat. § 469.176, subd. 4c, was amended to eliminate obsolete language authorizing economic development districts for specific projects involving the remediation of defined soil conditions that otherwise prevented installation of



public improvements; and, to allow increments from economic development districts to be spent on developments initiated by July 1, 2011 that will create or retain jobs, including construction jobs. Effective April 2, 2010 and thereafter for districts for which certification was requested after June 30, 2009 or is requested before July 1, 2011. Enacted the new Minn. Stat. § 469.176, subd. 4m, to allow increments from any district to be spent on construction, rehabilitation, or certain investments that will create or retain jobs, including construction jobs. Effective for all districts if the expenditures are made before January 1, 2012. 2010 Minn. Laws, Chapter 216, Section 31 and 32.

**Due date of annual JOBZ certification to commissioner of revenue.** Minn. Stat. § 469.3193 was amended to change the due date of the annual certification by qualified businesses of the compliance with their JOBZ obligations from December 1 of each year to October 15 of each year. This coincides with the date that JOBZ businesses are required to file their annual JOBZ tax benefits summary under Minn. Stat. § 289A.12, subd. 15. Effective for certifications required in 2010 and thereafter.

**Metropolitan agricultural preserves.** Minn. Stat. § 473H.05, subd. 1, was amended to change the date by which landowner applications must be received by the commissioner of agriculture for creation of an agricultural preserve for property in the metropolitan area, in order for the designation to be effective for property taxes payable the next year, from the last day in February to the last day in May. Effective May 28, 2010, except that the application date in 2010 is extended until August 1, 2010.

**Local government aid for cities.** Minn. Stat. § 477A.013, subd. 9, was amended to provide that for aid payable in 2011 only, for the purpose of computing the limits in this section on how much the state aid under this section may increase or decrease from the prior year for a particular city, the aid paid under this section in the prior year (i.e., 2010) is defined to be the aid determined according to this section as reduced under the provisions of § 477A.0133; which implemented certain 2010 budget-balancing one-time aid reductions. Effective for aid payable in 2011 and thereafter. 2010 Minn. Laws, Chapter 215, Article 13, Section 5.

**State aid reductions.** Minn. Stat., chapter 477A, was amended by adding the new section 477A.0132, to statutorily implement the 2009 and 2010 reductions to county program aid, local government aid (for cities), and state-paid market value credit-reimbursements (for counties, cities, and towns) that were previously announced as unallotments under Minn. Stat., § 16A.152. Effective May 22, 2010, and is retroactive for aids and credit-reimbursements payable in 2009. A separate, uncodified provision (2010 Minn. Laws, First Special Session, Chapter 1, Article 1, Section 2) nullifies the corresponding reductions that were made through the unallotment process. Effective May 22, 2010.

**Codified aid and credit reimbursement reductions for 2010.** Minn. Stat. ch. 477A was amended by adding the new section 477A.0133, to codify additional 2010 aid and credit reimbursement reductions for counties and cities totaling some \$100M. The reductions equal 1.82767% of each county's defined "2010 revenue base" amount, and, for each city, the lesser of \$28 per capita (based on 2008 pop.) or 3.4287% of that city's 2010 revenue base amount. The reduction amounts are applied in the following sequence after taking into account any reductions in the same amounts under the new Minn. Stat. § 477A.0132. The reductions apply first to market value credit reimbursements in 2010 under Minn. Stat. § 273.1384 for both counties and cities, and then to either the county's payments in 2010 under § 477.0124 for county program aid or the city's payments in 2010 under § 477A.013 for local government aid. Effective April 2, 2010 and thereafter. 2010 Minn. Laws, Chapter 215, Article 13, Section 6 (as amended by 2010 Minn. Laws, First Special Session, Chapter 1, Article 13, Section 3), effective May 22, 2010.

**County aid appropriation changes.** Minn. Stat. § 477A.03, subd. 2b, was amended to change certain appropriation amounts. The amount appropriated for the “need” component of county program aid is changed from \$111,500,000, plus the percentage increase provided in § 477A.03, subd. 5, to \$96,395,000; without any percentage increase under subd. 5. The amount appropriated for the “equalization” component of county program aid is changed from \$116,132,923, plus the percentage increase provided in § 477A.03, subd. 5, to \$101,309,575; without any percentage increase under subd. 5. As noted below, in order to complement these changes, § 477A.03, subd. 5 is repealed. Effective for aid payable in 2011 and thereafter. 2010 Minn. Laws, Chapter 215, Article 13, Section 8 and 10(a).

**City aid formula and appropriation changes.** Minn. Stat. § 477A.011, subd. 36, was amended by adding clause (aa), to increase the minimum amount of local government aid distributed to the city of Houston under the formula in § 477A.013 by \$106,964 for aid payable in 2011 only. Effective July 1, 2010 and thereafter. Minn. Stat. § 477A.013, subd. 9, was amended to amend the provisions that govern how much the local government aid amount for a city under this section can increase or decrease in one year, so that the aid amount from the previous year for this purpose is the aid amount under this section minus the amount of any reduction for the city under the new Minn. Stat. § 477A.0133. Effective for aids payable in 2011 and thereafter.

Minn. Stat. § 477A.03, subd. 2a, was amended to change the appropriation for local government aid to cities from \$526,148,487, plus the percentage increase provided in § 477A.03, subd. 5, to \$527,100,646, without any percentage increase under subd. 5. Effective for aid payable in 2011 and thereafter. Finally, Minn. Stat. § 477A.03, subd. 5, was repealed to eliminate the percentage appropriation adjustments provided in that subdivision for aid payable in 2010 and thereafter. Effective for aid payable in 2011 and thereafter. 2010 Minn. Laws, Chapter 215, Article 13, Section 4.

**City local government aid.** Minn. Stat. § 477A.013, subd. 8 was amended to delete obsolete language, and to delete references to Minn. Stat. § 477A.011, subsd. 3 and 35. The effect is to allow levy data not available as of January 1 of the aid determination year to be used in that year to compute each city’s maximum aid-increase and maximum aid-decrease amounts under Minn. Stat. § 477A.013, subd. 9. These corrections implemented what was intended both, in 2008 when this language was originally enacted, and in 2009 when first changed. Effective for aid payable in 2010 and thereafter.

**In lieu payments.** Minn. Stat. § 477A.17, was amended to change the provision governing state payments related to the acquisition of land for the Lake Vermilion State Park. The payments will now begin upon the later of acquisition of the lands by the state or fiscal year 2012; and, land within the boundary of the Soudan Underground Mine State Park is also included. Effective July 1, 2010.

**Farming by business organizations.** Minn. Stat. § 500.24, subd. 2(z), was amended to allow nonprofit corporations to actively farm land in this state if all of the profits from the agricultural land are used for educational purposes. Effective July 1, 2010. 2010 Minn. Laws, Chapter 333.

**Common interest communities.** Minn. Stat. § 515B.2-109(e)(3) was amended to authorize common element licenses by which the owner of a unit is granted additional property rights, such as a parking stall. The licenses need not be recorded, but the association must maintain records of them. Such appurtenances may affect the taxable value of the unit of the benefitted owner. Effective August 1, 2010 for common interest communities subject to Minn. Stat. ch. 515B. 2010 Minn. Laws, Chapter 267.

**Judgment interest rates.** Minn. Stat. § 549.09, subd. 1, was amended to change the rate of interest applicable to property tax judgments under Minn. Stat. ch. 278. The change from current procedures is that in the case of a judgment or award for or against the state or a subdivision of the state, including a

property tax judgment that changes the tax owed by \$50,000 or more, the portion of the tax remaining unpaid when the judgment is entered, or the part that must be refunded, bears interest at the rate annually re-computed under Minn. Stat. § 549.09, subd. 1(c) – currently at 4% – instead of at a fixed rate of 10%. [See summary in 2010 Miscellaneous Bulletin for additional details.] Effective for judgments and awards finally entered on or after April 16, 2010. 2010 Minn. Laws, Chapter 249.

**Emergency medical services districts.** 2001 Minn. Laws, 1st Special Session, Chapter 5, Article 3, Section 50, as amended by 2009 Minn. Laws, Chapter 86, Article 1, Section 87 was amended. Two changes in 2009 amended different parts of the 2001 law related to emergency medical services special taxing districts. One change extended the sunset to 2012 with respect to Minn. Stat. § 275.066 (the list of special taxing districts), but another change eliminated the sunset with respect to Minn. Stat. § 144F.01 (the EMS statute). The effective date relating to Minn. Stat. § 275.066 is being changed here to eliminate the sunset. Effective May 28, 2010.

**Tax abatements for newly constructed residential structures in flood-damaged cities.** 2009 Minn. Laws, Chapter 88, Article 2, Section 49, was amended to allow construction of the new structure to commence in either 2010 or 2011 (was 2010 only); and, to extend the provided tax abatement to cover taxes payable in 2011 through 2014 (was 2013). Effective May 28, 2010.

**Fiscal Disparities study.** Two uncodified provisions require the commissioner of revenue to study the metropolitan revenue distribution program in Minn. Stat. ch. 473F (i.e., “Fiscal Disparities”), and appropriate \$50,000 in each of fiscal years 2011 and 2012 to the commissioner to fund the study. A report is due to the legislature by Feb. 1, 2012. The study mandate is effective January 1, 2011, and the funding provision is effective July 1, 2010.

**Deadline for local government aid study group.** Changed the date by which the legislative study group created under 2008 Minn. Laws, Chapter 366, Article 2, Section 12 must report its findings to the legislature from December 15, 2010 to December 15, 2012. Effective April 2, 2010. 2010 Minn. Laws, Chapter 215, Article 13, Section 9.

**Tax increment financing; housing replacement districts.** Amended uncodified provisions to add Brooklyn Park to the list of cities authorized to have housing replacement districts (now eight in total); to increase the number of parcels that may be included in each city over the lifetime of its district; and, to ratify St. Paul’s authority to have such districts. Also, eliminated the restriction that prevented some cities from adding more than 10 parcels annually to their district. Effective April 2, 2010. 2010 Minn. Laws, Chapter 215, Sections 45 and 46.

**Tax increment financing; homeless assistance district.** Amended an uncodified provision to allow expenditure of increments from the district to reimburse costs that may have been incurred prior to creation of the district. Effective upon enactment and upon compliance with Minn. Stat. § 645.021, subs. 2 and 3 by the city of Minneapolis. 2010 Minn. Laws, Chapter 216, Section 47.

**Tax increment financing; specific cities and districts.** Uncodified provisions enact or amend tax increment financing authorizations for specific districts located in the cities of Oakdale, North Mankato, Cohasset, East Grand Forks, St. Paul, Bloomington, Landfall Village, Ramsey, and Wayzata, and for the Seaway Port Authority of Duluth, with various effective dates. 2010 Minn. Laws, Chapter 216, Sections 48, 55, 56, 57, 59, 60 and Chapter 382, Section 84.

**Sustainable forest payment cap.** For payments made in Fiscal Year 2011 only, the maximum payment per Social Security Number or Federal Business Identification Number cannot exceed \$100,000. Effective May 22, 2010. 2010 Minn. Laws, First Special Session, Chapter 1, Article 13, Section 4.

**Thief River Falls airport authority levy.** An uncoded provision allows an airport authority established under Minn. Stat. § 360.042 whose area includes the city of Thief River Falls to exercise its levy authority through a levy on the jurisdiction's referendum market value, defined in Minn. Stat. § 126C.01, subd. 3, *in lieu* of a levy on net tax capacity. Effective May 28, 2010, without requiring local approval.

**State aid payment for the city of St. Charles.** An uncoded provision appropriates sufficient funds from the general fund, and directs the commissioner of revenue to make a payment of \$50,000 to the city of St. Charles on the December, 2010 payment date specified in Minn. Stat., § 477A.015, to compensate for a loss of tax base due to fire. Effective July 1, 2010.

**State aid payment for Ottertail county.** An uncoded provision appropriates sufficient funds from the general fund, and directs the commissioner of revenue to make a payment of \$200,000 to the Ottertail county on the December, 2010 payment date specified in Minn. Stat., § 477A.015, to compensate for certain costs incurred as a result of flooding. Effective July 1, 2010.

## **Conditional Use Deeds**

**Classification of tax-forfeited lands as conservation or nonconservation.** Minn. Stat. § 282.01, subs. 1 and 3 were amended. One of the first duties that a county board has when a parcel of real property forfeits for nonpayment of the real estate taxes is to classify the parcel as either conservation (and not suitable for sale) or nonconservation (and thus suitable for sale). These amendments change the classification process, so that county boards must now give notices and conduct hearings before classifying or re-classifying properties; while eliminating the requirement that the county board obtain municipal approval of the classification and sale of properties within the municipality's borders. Counties may opt-out of the new procedures, but must use them for parcels where the affected municipality does not approve the classification and sale. Language giving the county the authority to group or subdivide forfeited parcels for sale purposes is moved to subd. 1 from subd. 3, and new language is added stating that a county may not subdivide a parcel in order to avoid the restriction that tax-forfeited parcels with more than 150 feet of waterfront may not be sold without special legislation. Effective July 1, 2010.

**Conveyances of tax-forfeited properties to public entities.** Minn. Stat. § 282.01, subd. 1a was amended. New language, codified in par. (a), allows both state agencies and local units of government to request that parcels be withheld from sale at any time; but prohibits multiple requests within 18 months for the same parcel. Under current law, only municipalities are provided this authority, and only within 60 days following notice from the county board of its intent to classify and sell the property. Preserves, in what are now pars. (b) and (c), the authority for a state agency or local government unit to acquire parcels of tax-forfeited land by purchase for any public purpose for which the entity is authorized to acquire property. Also clarifies, in par. (b), that the various references to "market value" in this subdivision mean an estimate by the county board of full, and actual, value.

A new provision, in par. (d), allows the county to sell nonconservation tax-forfeited land to state agencies or local units of government for less than market value for correction of blight and development of affordable housing. The provisions of current law, now in par. (e), that allow conveyances of nonconservation tax-forfeited land to local units of government at no cost if the property

is put to a “public use,” are amended to restrict these authorized public uses to: roads; parks; trails; transitways; beaches; public water-access; public parking; civic recreation and conference facilities; and, public service facilities such as fire halls, water treatment or delivery systems, and administrative offices. New provisions, now in pars. (f) and (g), allow parcels of nonconservation tax-forfeited lands to be acquired at no cost by a local government unit or common interest community if the entity was entitled to the parcel prior to forfeiture under a written agreement, but the conveyance failed to occur prior to forfeiture.

A new provision, in par. (h), allows local units of government to obtain conservation tax-forfeited lands for less than market value for creation or preservation of wetlands, storm water management, or preservation or restoration of land in its natural state. The deeds under that paragraph will contain specific language limiting the use of the land to the stated purposes for a minimum of 30 years. Paragraph (i) adds a technical provision stating that a park and recreation board of a first class city is a governmental subdivision for the purposes of Minn. Stat. § 282.01. Effective July 1, 2010.

**Conveyances of tax-forfeited properties located within “targeted communities.”** Minn. Stat. § 282.01, subd. 1b, was amended so that the no-cost conveyances to political subdivisions authorized under this paragraph for tax-forfeited properties located in “targeted communities” (as defined by statute) are restricted to properties located within first class cities. Also clarifies that the conveyance is by quit claim deed instead of use deed, and that the conveyance requires the favorable recommendation of the county board. Effective July 1, 2010.

**Deeds used to convey tax-forfeited properties for an authorized public use.** Minn. Stat. § 282.01, subd. 1c, was amended to specify that the deeds used to convey tax-forfeited property at no consideration for an authorized public use are denoted as “conditional-use deeds;” and, that reversion to the state of “conditional-use deed” property occurs upon the failure to put the land to the authorized use within the required time, or an abandonment of that use. This clarifies that the subsequently-prepared “declarations” of reversion by the commissioner of revenue are for notice purposes; and are not a prerequisite to the reversion. Effective July 1, 2010.

**State’s reversionary interest in tax-forfeited properties conveyed for an authorized public use.** Minn. Stat. § 282.01, subd. 1d was amended to change existing language, in what is now par. (a), to specify that, when tax-forfeited property is conveyed to a local unit of government for an authorized public use and the local unit fails to put the property to that use within three years, the local unit has a duty, not just the option, to either purchase the property or to re-convey it to the state, in trust for the local taxing authorities. Also eliminates the option for the local unit to terminate the use-restriction by conveying the property for development or redevelopment (i.e., under an authority granted to the local unit in Minn. Stat., chapter 469).

Adds language to par. (a) allowing the use-restrictions to be satisfied, even if three years have passed, if a formal plan of that unit shows an intent to use the land for the authorized public use. Adds the new par. (b) – for use deed properties conveyed after January 1, 2007 -- allowing the local unit to acquire non-conditional ownership of a use-restricted parcel after 15 years upon county board approval, if the parcel is actually being used as intended and the local unit has no plans to change that use. Adds the new par. (c) – for use deed properties conveyed before January 1, 2007 -- allowing the local unit to acquire non-conditional ownership of a use-restricted parcel on January 1, 2022 if the county board approves. (For these paragraphs, the 2007 cut-off date is used because deeds issued before that date are required under current law to have been either put to the required use or reverted; while for the later deeds, neither an actual usage nor a reversion is yet required.)

Adds the new par. (d) – for all use deed properties -- providing that the use-restrictions terminate without conditions and without the need for county approval on the later of: (i) January 1, 2015; or, (ii) 30 years after the date of the deed; although both dates are extended if the local unit is appealing a reversion in court and a *lis pendens* notice related to that appeal has been recorded against the parcel before that date. Effective July 1, 2010.

**Fees for conditional-use deeds for tax-forfeited property.** Minn. Stat. § 282.01 was amended by adding the new subdivision 1g, to impose a fee on applications submitted to the commissioner for a conditional use deed. The application fee is \$250, but if the application is denied \$150 will be refunded. All fee proceeds are deposited in a revolving account created under this subdivision. Amounts in the revolving fund are appropriated to the commissioner of revenue to pay these refunds and for the purpose of administering the conditional use deed laws. Effective for applications received by the commissioner after June 30, 2010.

**Instruments used to convey tax-forfeited property.** Minn. Stat. § 282.01 was amended by adding the new subd. 1h, stating that instruments of conveyance issued by the commissioner of revenue under Minn. Stat. § 282.01, subd. 1a, pars. (c), (d), (e), (f), (g), and (h), and subd. 1d, par. (b), are *prima facie* evidence of (i) the facts stated in them and (ii) that issuance of the conveyance complies with the applicable laws. Effective for deeds issued by the commissioner after June 30, 2010.

**Tax-forfeited properties classified as conservation lands; county supervision.** Minn. Stat. § 282.01, subd. 2 was amended. Mainly re-organizes the provisions; but also eliminates the obsolete authority of the county board, with approval from the commissioner of natural resources, to sell conservation lands for timber production under the provisions applicable to nonconservation land if the land is located within an unincorporated area and is zoned by the county for a compatible restricted use. Effective July 1, 2010.

**County sales of nonconservation tax-forfeited properties; methods, requirements, effects.** Minn. Stat. § 282.01, subds. 4 and 7a, were amended by adding new language authorizing counties to sell tax-forfeited lands to the public on behalf of the state for less than appraised value when the property consists of undivided interests; parcels that cannot be improved under zoning ordinances due to their size, shape, or lack of access; and, parcels where there is no zoning but the physical characteristics of the land indicate that the best use would be to combine it with an adjoining parcel. Effective July 1, 2010.

**County sales of nonconservation tax-forfeited properties; notice, purchase price, disposition.** Minn. Stat. § 282.01, subd. 7, was amended to clarify that the public sale provisions of this subdivision apply to parcels of nonconservation tax-forfeited land. Effective July 1, 2010.

**Repealer; Sales and conveyances of tax-forfeited property.** An uncoded provision repeals Minn. Stat. § 282.01, subds. 9, 10, and 11. These subdivisions allow the commissioner of revenue to ratify pre-1943 sales of tax-forfeited lands made under Mason's Supplement 1940, section 2139-15, that were done without a separate appraisal of the value of the standing timber (a separate appraisal of standing timber is still required under current laws). These sale-ratification -provisions are now obsolete. Also repeals Minn. Stat. § 383A.76. This is a special law for Ramsey County concerning sales, uses, and reversions for tax-forfeited properties. Effective July 1, 2010.

**Tax-forfeited property conveyed to a local governmental unit for an authorized public use; Public notice and hearing required for usage changes.** Minn. Stat. § 282.01 was amended by adding the new subd. 12. The new subdivision requires that when a governmental subdivision acquires a parcel of tax-forfeited land for an authorized public use under Minn. Stat. § 282.01, and later determines to change

that use, it must give specific notices to the owners of land within 400 feet of the parcel, and conduct a public hearing. Effective July 1, 2010, and applies to changes of use regardless of when the parcel was acquired.