

# MINNESOTA • REVENUE

## PROPERTY TAX Local Property Tax Provisions

February 6, 2013

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

|   | Yes | No |
|---|-----|----|
| <b>DOR Administrative Costs/Savings</b> | X*  |    |

*\*Costs incurred in state tax provisions of the bill.*

Department of Revenue

Analysis of S.F. 119 (Skoe), Tax Reform Division Report (ss0119div)

|   | <b>Fund Impact</b> |                  |                  |                  |
|---|--------------------|------------------|------------------|------------------|
|   | <b>F.Y. 2014</b>   | <b>F.Y. 2015</b> | <b>F.Y. 2016</b> | <b>F.Y. 2017</b> |
|   |                    | (000's)          |                  |                  |
| Mining Reclamation District                   | \$0                | \$0              | \$0              | \$0              |
| Tax Increments Spending Deadline Extended     | \$0                | \$0              | \$0              | \$0              |
| St. Paul Maximum Debt Limit                   | \$0                | \$0              | \$0              | \$0              |
| Cook/Orr Hospital District Tax Levy Authority | \$0                | \$0              | \$0              | \$0              |
| Carlton County Levy Authority                 | \$0                | \$0              | \$0              | \$0              |
| Itasca General Obligation Bonds               | \$0                | \$0              | \$0              | \$0              |
| Oakdale TIF                                   | \$0                | \$0              | \$0              | \$0              |
| Agricultural Homestead Extension              | \$0                | (negligible)     | (negligible)     | (negligible)     |
| Dakota County TIF                             | \$0                | \$0              | \$0              | \$0              |
| St. Cloud TIF                                 | \$0                | \$0              | \$0              | \$0              |
| <b>General Fund Total</b>                     | \$0                | (negligible)     | (negligible)     | (negligible)     |

Various effective dates.

## **EXPLANATION OF THE BILL & REVENUE ANALYSIS DETAIL**

### **Mining Reclamation District (Sections 9-14, 17-19)**

A soil deficiency TIF district is defined as one which has unusual terrain or soil deficiencies over 70 percent of the area, or requires fill and grading for over 50 percent of the area, and that the cost of physical preparation exceeds the fair market value of the property exclusive of roads and local improvements. The city authority must pass a resolution stating that 70 percent of the district has peat or other soils with geotechnical deficiencies, require substantial fill, contains a landfill, quarry, floodway, or has 30 percent substandard buildings. These rules may apply to any redevelopment, renewal and renovation, soil condition, or soil deficiency district. The five year rule for activity to commence does not apply. Increments may be used to acquire parcels,

correct terrain or soil deficiencies, install public improvements, and pay administrative expenses. Effective for districts for which certification is made after April 30, 2013

- The proposed 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.

#### **Tax Increments Spending Deadline Extended (Sections 15-16)**

The bill extends the deadline for construction stimulus economic development tax increment financing (TIF) districts 1½ years. Effective day following final enactment, and is applicable to all TIF districts.

- The proposed modifications 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.

#### **City of St. Paul Maximum Debt Extended (Section 20)**

The bill would extend the annual maximum debt limit for the city of St. Paul. The current law limit of \$20 million would be effective through taxes payable 2024.

- The proposal would not impact the state general fund. Under current law city levy limits are not in effect and the property tax levy authority of the city of St. Paul would be unaffected.

#### **Cook-Orr Hospital District Levy Authority (Section 21)**

The bill would modify the use of proceeds of the tax levied by the Cook-Orr Hospital District. Current law provides for proceeds to be used solely for ambulance acquisitions. Under the proposal, the list of purposes would be broadened to include attached and portable equipment for ambulances and repair parts for maintenance of the ambulances. The list of unauthorized uses is also broadened to exclude operation expenses in addition to administrative and salary expenses.

- The bill does not change the maximum levy authority of the district. There would be no impact to the state general fund from the proposed changes.

#### **Carlton County Levy Authority (Section 23)**

The proposal would authorize Carlton County to annually levy in and for the unorganized township of Sawyer for cemetery purposes. The authority would become effective upon local approval. Effective for taxes payable in 2014 and thereafter.

- The proposal would not impact the state general fund. Under current law, general county levy limits are not in effect and the overall property tax levy authority of Carlton County would be unaffected.

### **Itasca County General Obligation Bonds (Section 24)**

Under current law, the bonds issued by Itasca County to finance the construction of a nursing home facility must be payable solely from revenues and may not be general obligations of the county.

- The bill would change the requirement that revenues be the sole method of repayment and would allow the bonds to be general obligations of the county.
- The proposal would not impact the state general fund. Under current law county levy limits are not in effect and the property tax levy authority of Itasca County would be unaffected.

### **Oakdale TIF (Section 27)**

The bill allows the city of Oakdale to extend the deadline for certification for a redevelopment tax increment financing (TIF) district. The bill allows specified parcels to qualify under structurally substandard clauses if buildings have been removed and request for certification is filed before December 31, 2017. Effective following local approval.

- The proposed 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.

### **Agricultural Homestead Extension (Section 28)**

The bill permanently extends a special agricultural homestead provision for qualifying agricultural property owners in Marshall County. The property must have been homesteaded before floods in 2009, and remain under the same ownership. The current owner must live within 50 miles of one of his agricultural parcels.

- It is assumed that one or a few property owners would continue to qualify under this proposal.
- Higher property taxes on other homesteads and lower property taxes on qualifying agricultural property would have a negligible effect on property tax refunds.

### **Dakota County TIF (Section 29)**

The bill allows the Dakota County Community Development Authority to establish a redevelopment tax increment financing (TIF) district comprised of properties in the CDA 10 Robert and South Street district in the city of West St. Paul that were not decertified before July 1, 2012. The new district terminates no later than December 31, 2027. Requirements in statute for redevelopment districts do not apply. Increments may be spent on decorative or aesthetic purposes. Increments may be used for park, recreational, social, or conference purposes. The original tax capacity of the district is specified as \$93,239. Increments may be expended for any eligible activity within the redevelopment area. The captured net tax capacity (NTC) of the district must be included in the adjusted NTC of city, county, and school district for the purposes

of determining Local Government Aid (LGA), Education Aid, and County Program Aid (CPA). Effective following local approval.

- 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.
- Total LGA and CPA would remain the same as current law.

**St. Cloud TIF (Section 30)**

This section allows the city of St. Cloud to deem that the request for certification date for TIF district #2 to be between August 1, 1979 and July 1, 1982. Effective upon local approval.

- The proposed 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.

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
[www.revenue.state.mn.us/research\\_stats/pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)