Revised for Mahnomen
Reimbursement Payment Estimate

June 24, 2013

OMNIBUS TAX BILL
Laws 2013, Chapter 143
Articles 1-4, 8-12, 14, 17

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

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of Laws 2013, Chapter 143, Articles 1-4, 8-12, 14, 17

	Fund Impact			
	F.Y. 2014	F.Y. 2015	F.Y. 2016	F.Y. 2017
	(000's)			
Article 1: Homestead Credit Refund and Renter Property Tax Refund				
Renter Property Tax Refund	$0	($15,500)	($16,400)	($17,200)
Homestead Credit Property Tax Refund	$0	($85,600)	($88,200)	($91,100)
Notification of PTR Eligibility	$0	($34,000)	($35,000)	($36,000)
Article 2: Property Tax Aids and Credits				
Disparity Reduction Credit	$0	($2,080)	($2,140)	($2,140)
Income Tax Interactions	$0	$0	$60	$60
Sustainable Forest Incentive Payments	($1,950)	($1,950)	($1,950)	($1,950)
Pension Aid Modifications	($15,500)	($15,500)	($15,500)	($15,500)
Local Government Aid Increase	$0	($80,000)	($80,000)	($80,000)
Appropriation Adjustment	$0	$0	($2,500)	($5,000)
Mahnomen Aid Increase	$0	($160)	($160)	($160)
Red Wing Aid Increase	$0	($1,000)	$0	$0
Property Tax Refund Interactions	$0	$2,590	$2,640	$2,720
Income Tax Interactions	$0	$1,970	$2,020	$2,070
LGA Early Payment for Disaster	$0	$0	$0	$0
County Program Aid	$0	($40,000)	($40,000)	($40,000)
Property Tax Refund Interactions	$0	$1,270	$1,270	$1,270
Income Tax Interactions	$0	$960	$960	$960
Township Aid	$0	($10,000)	($10,000)	($10,000)
Property Tax Refund Interactions	$0	$640	$640	$640
Income Tax Interactions	$0	$480	$480	$480
Minneapolis Debt Service Aid	$0	$0	$0	($3,700)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
PILT Payments	($4,750)	($4,750)	($4,750)	($4,750)
Property Tax Refund Interactions	$0	$120	$120	$120
Income Tax Interactions	$0	$110	$110	$110
Mahnomen Reimbursement Payment	($600)	($600)	($600)	($600)
Property Tax Refund Interactions	$0	$20	$20	$20
Income Tax Interactions	$0	$10	$10	$10
Article 3: Education Aids and Levies				
Education Provisions				
Property Tax Refund Interactions	$0	$2,980	$2,920	$1,700
Income Tax Interactions	$0	$1,840	$1,780	$1,000
Article 4: Property Taxes				
Board of Water and Soil Resources Levy Authority	$0	$0	$0	$0
Manufactured Homes Owned by a Dealer	$0	(unknown)	(unknown)	(unknown)
Assessor Accreditation and Sanctions	$0	$0	$0	$0
Exempt Property Held for Economic Development	$0	$0	(unknown)	(unknown)
Indian Tribal Non-profit Property Exemption	$0	(negligible)	(negligible)	(negligible)
Electric Generation Facility Exemption	$0	$0	(unknown)	(unknown)
Conservation Property Tax Valuation	$0	(unknown)	(unknown)	(unknown)
Class 4d Class Rate Reduction	$0	(unknown)	(unknown)	(unknown)
Property Tax Due Date Modifications	$0	$0	$0	$0
Delinquent Property Tax Payment Modifications	$0	$0	$0	$0
Special Service and Housing Improvement Districts	$0	$0	$0	$0
Bloomington Fiscal Disparities Payment	$0	$0	($5,200)	($5,200)
Property Tax Refund Interactions	$0	$0	$360	$360
Income Tax Interactions	$0	$0	$250	$250
Cook-Orr Hospital District Levy Authority	$0	$0	$0	$0

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
Carlton County Cemetery Tax Levy	$0	$0	$0	$0
Multicounty Housing and Redevelopment Authority	$0	$0	$0	$0
Cloquet Area Fire and Ambulance Taxing District	$0	$0	$0	$0
Agricultural Homestead Extension	$0	(negligible)	(negligible)	(negligible)
Hennepin County Abatement Reimbursement	($336)	$0	$0	$0
St. Paul Minor League Ballpark Exemption				
Property Tax Refund Interactions	$0	$0	$0	($110)
Minneapolis Basketball Arena Exemption				
Property Tax Refund Interactions	$0	($160)	($170)	($350)
Class 1c/4c Property Tax Due Date Extension	$0	$0	$0	$0
Report on Class 4d Tier Structure	$0	$0	$0	$0
Report on Certain Property used in Business/Production	$0	$0	$0	$0
Property Tax Savings Report	$0	$0	$0	$0
Levy Limits on Counties and Cities				
Property Tax Refund Interactions	$0	$1,080	$1,360	$1,700
Income Tax Interactions	$0	$870	$1,090	$1,370
Moose Lake Sewer Line Appropriation	($2,000)	$0	$0	$0
Article 8: Property Tax Interactions from Exempting Counties and Cities from Sales Tax				
Exempt Counties and Cities from Sales Tax				
Property Tax Refund Interactions	$0	$3,570	$3,680	$3,770
Income Tax Interactions	$0	$2,880	$2,950	$3,040
Article 9: Economic Development				
Bloomington Provisions				
Property Tax Refund Interactions	$0	($670)	($700)	($740)
Income Tax Interactions	$0	($470)	($490)	($510)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
Border City Enterprise Zone Allocation	($1,500)	$0	$0	$0
TIF General Changes	$0	$0	$0	$0
TIF Four-year Rule Extension	$0	$0	$0	$0
TIF Original Net Tax Capacity Adjustment	$0	$0	$0	$0
TIF General Education Levy Distribution	$0	$0	$0	$0
Oakdale TIF	$0	$0	$0	$0
St. Cloud TIF	$0	$0	$0	$0
Glencoe TIF	$0	$0	$0	$0
Ely TIF	$0	$0	$0	$0
Dakota County TIF	$0	$0	$0	$0
Apple Valley TIF	$0	$0	$0	$0
Minneapolis Streetcar TIF	$0	$0	$0	$0
Maplewood TIF	$0	$0	$0	$0
Article 10: Destination Medical Center				
Mayo Destination Medical Center	$0	$0	$0	$0
Article 11: Minerals Taxes				
Taconite Production Tax Modifications	$0	$0	$0	$0
Occupation Tax – General Fund Transfer	($970)	($980)	($1,010)	($1,060)
Taconite Production Tax Rate Increase	$0	$0	$0	$0
Iron Range Fiscal Disparities Study	$0	$0	$0	$0
IRRRB Bonds Authorized	$0	$0	$0	$0

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
Article 12: Public Finance				
Public Finance Provisions	$0	$0	$0	$0
Metro Area Transit Capital Expenditures				
Property Tax Refund Interactions	$0	$0	$0	($610)
Income Tax Interactions	$0	$0	$0	($470)
Article 14: Market Value Definitions				
Property Tax Refund Interactions	$0	($270)	($270)	($270)
Income Tax Interactions	$0	($150)	($150)	($150)
Article 17: Department of Revenue Property and Minerals Provisions	$0	$0	$0	$0
General Fund Total	**($27,606)**	**($272,450)**	**($282,470)**	**($295,920)**

Various effective dates.

EXPLANATION OF THE BILL & REVENUE ANALYSIS DETAIL

Article 1: Homestead Credit Refund and Renter Property Tax Refund

The bill modifies the definition of household income used to calculate property tax refunds by excluding taxable and nontaxable retirement contributions and deferred compensation from the definition of household income used to calculate property tax refunds. Distributions from individual retirement accounts would be included in household income.

Renter Property Tax Refund (Sections 1, 3-4)
For the renter PTR program, the current percentage of income threshold ranges from 1.0 percent to 3.5 percent based on household income. The proposal would reduce the percentage of income threshold to 2.0 percent for renters with household incomes above $31,030. Household income ranges below $31,030 would remain between 1.0 percent and 2.0 percent. The proposal would also increase the renter maximum refund for all income ranges. Maximum refund increases range between $10 and $370.

- The estimates are based on the February 2013 forecast.
- Under current law, approximately 334,000 renters are expected to receive an average property tax refund of $609.
- The proposed formula changes would increase refunds to approximately 24 percent of current filers. The average renter property tax refund increase would be $152.
- It is assumed that some new claimants would become eligible and file for a renter refund due to the proposed formula changes. This would increase renter refunds an additional $5 million beginning in FY 2015.

Homestead Credit Property Tax Refund (Sections 1-2, 4)
The bill renames the homeowner PTR program the Homestead Credit Refund. The current percentage of income threshold ranges from 1.0 percent to 3.5 percent based on household income. The proposal would reduce the homeowner percentage of income threshold to between 2.0 percent and 2.5 percent for household incomes above $19,530. Household income ranges below $19,530 would remain between 1.0 percent and 2.0 percent.

- The estimates are based on the February 2013 forecast.
- Under current law, approximately 410,000 homeowners are expected to receive an average property tax refund of $830.
- The proposed formula changes would increase homeowner refunds to approximately 76 percent of current filers. It is assumed that approximately 112,000 new claimants would become eligible and file for a refund due to the proposed formula changes.
- Under the proposal, the average refund increase would be approximately $219.

Notification of Potential Eligibility Homeowner PTR (Section 5)
The bill would also require the state to notify individual homeowners who may be eligible for a refund of over $1,000 but have not filed. In determining whether to notify a homeowner, the

commissioner of revenue would consider the property tax information reported by county auditors and the income information reported by the taxpayer on their income tax return. The notification must be delivered by September. 1, 2014 and include information on how to file for the refund.

- Current participation for the homeowner property tax refund program is estimated to be approximately two-thirds, leaving one-third of potentially eligible refunds unclaimed. Approximately one-half of the refund dollars unclaimed are estimated to be for refunds exceeding $1,000.
- Assuming one-half of the unclaimed refunds over $1,000 would be claimed, the increased state cost would total approximately $34 million in FY 2015, $35 million in FY 2016 and $36 million in FY 2017.

Article 2: Property Tax Aids and Credits

Disparity Reduction Credit (Section 1)

The proposal lowers the effective tax rate threshold for calculating disparity reduction credit (DRC) from 2.3 percent to 1.9 percent.

- The proposal was modeled on payable 2013 data.
- DRC would increase by $2.08 million in FY 2015, and by $2.14 million in FY 2106 and FY 2017. The slightly lower increase in the first year is due to the school levy recognition shift.
- Lower property taxes on apartments and commercial property would decrease income and corporate franchise tax deductions. Collections on those taxes would therefore increase by $60,000 in FY 2016 and FY 2017.

Sustainable Forest Incentive Payments (Sections 2-5, 34-35)

Under current law, land enrolled in the sustainable forest resource management program is eligible for an annual per acre incentive payment. The current payment rate is $7.00 per acre, up to a maximum of $100,000 per land owner.

The proposal would remove the $100,000 limit on payments per landowner. The proposal would also make ineligible for the SFIA program any land exceeding 60,000 acres that is subject to a single conservation easement or other permanent easement conveyed to a government or nonprofit entity.

- Estimates are based on the February 2013 forecast.
- Approximately 769,000 acres were enrolled in the SFIA program in 2012.
- Of the current lands enrolled in SFIA, approximately 25 percent are estimated to also be subject to a single conservation easement exceeding 60,000 acres. Under the proposal these lands would no longer be eligible for the SFIA payment.
- The net impact of removing the $100,000 limit and excluding lands with conservation easements exceeding 60,000 acres would be an increase in SFIA payments totaling approximately $730,000, resulting in increased state cost beginning in FY 2014.

- An additional 175,000 acres were removed from the SFIA program in 2012 by land owners impacted by the maximum payment limit. It is assumed these acres would be reenrolled in the program and state payment costs would increase by an additional $1.2 million per year beginning in FY 2014.

Pension Aid Modifications (Section 6)
The bill appropriates additional funds to fire and police pension aid accounts administered by the commissioner of revenue. The appropriation is allocated 58.065 percent to PERA, 35.484 percent to municipalities with a public employee police and fire retirement plan, and 6.452 percent to the state patrol retirement fund. The new aid terminates when assets equal 90 percent of accrued liabilities for the state patrol or public employee fire and police retirement plans, whichever comes last. Effective for aids payable in 2013.

- The annual appropriation is $15.5 million.

Local Government Aid Increase (Sections 7-12, 14-16, 18, 36)
The proposal would permanently increase the appropriation for city Local Government Aid (LGA) by $80 million in CY 2014. The appropriation would be increased $2.5 million in CY 2015 and an additional $2.5 million in CY 2016 and thereafter. In addition, the appropriation would be increased $160,000 per year to provide an aid adjustment to the city of Mahnomen and $1.0 million in CY 2014 only to provide an aid adjustment to the city of Red Wing. The proposal would also create a new three-tiered formula for distributing aid to cities. In the first year, no city would receive less than it was certified to receive in 2013. The provisions are effective for aids payable in calendar year 2014 and thereafter.

- Under current law, the city LGA appropriation is set to approximately $426.4 million. Beginning in FY 2015, the appropriation would be increased to approximately $507.6 million.
- The bill increases the appropriation to $509.1 million in CY 2015 and to $511.6 million in CY 2016 and thereafter.
- It is assumed that the net increase in aid to cities would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.

Township Aid (Sections 13, 20)
The bill would create a township aid formula based on agricultural property, size in acres and population. The appropriation for township aid would be capped at $10 million per year beginning in FY 2015.

- The appropriation for township aid would increase state costs by $10 million annually beginning in FY 2015.
- It is assumed that townships receiving an increase in aid would reduce property tax levies. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.

LGA Early Payment for Disaster (Section 17)
The bill allows a city located in a declared disaster area for an event that occurred in April 2013 to get its entire 2013 LGA payment on July 20, 2013.

- 38 cities in 5 counties in southwestern Minnesota would be eligible for early payment of 2013 LGA. The early additional payment would total approximately $5.7 million.

County Program Aid (Section 19)
The proposal would permanently increase the appropriation for county program aid (CPA) by $40 million. The increase would be split evenly between formula need aid and tax base equalization aid.

- Under current law, the CPA appropriation is set to approximately $165.5 million. Beginning in FY 2015, the appropriation would be increased to approximately $205.5 million.
- It is assumed that counties receiving an increase in aid would reduce property tax levies for a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.

Minneapolis Debt Service Aid (Section 21)
The bill requires the commissioner to pay to the city of Minneapolis an amount equal to 40 percent of the levy required to pay general obligation library referendum bonds beginning in 2016.

- The additional state payment would total an estimated $3.7 million to the city of Minneapolis beginning in FY 2017.
- It is assumed that the increase in aid would reduce property tax levies beginning in payable year 2017 for a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2018, resulting in a savings to the state general fund.

PILT Payments (Sections 22-32, 36)
The bill would increase the per acre payment rates for certain PILT lands beginning with CY 2013. Payments for DNR and county administered lands would be increased to $1.50 per acre and land utilization project (LUP) land payments would be increased to $5.133 per acre. The bill would also provide an additional $300,000 for land assessments.

- Increasing the per acre payment rates for county-administered, DNR-administered, and land utilization project lands would increase annual PILT payments by approximately $4.45 million beginning in FY 2014.
- It is assumed that the increase in PILT payments to counties would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.
- The additional $300,000 in PILT for land assessments would increase state costs beginning in FY 2014.

Mahnomen Reimbursement Payment Increase (Section 33)
Under current law, $600,000 is paid annually from the state general fund as a property tax reimbursement to the city of Mahnomen ($80,000), Mahnomen County ($450,000), and the Mahnomen school district ($70,000).

The bill would double the payments to $1,200,000 annually for the city of Mahnomen ($160,000), Mahnomen County ($900,000), and the Mahnomen school district ($140,000) effective beginning with CY 2013.

- The property tax reimbursement payment increase to local governments in Mahnomen County would increase state costs by $600,000 beginning in CY 2013.
- It is assumed that the increase in payments to the city of Mahnomen and Mahnomen County would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.

Article 3: Education Aids and Levies

The bill makes a number of changes to education aid and levy provisions, including establishing a general education levy and location equity levy, re-establishing the integration levy, reducing referendum levies, and changing other levies.

- The net reduction in school levies is estimated to be $28.6 million in CY 2014, $28.2 million in CY 2015, and $15.6 million in CY2016.

- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.

Article 4: Property Taxes

Board of Water and Soil Resources Levy Authority (Sections 1-5)
The bill would make modifications to the Board of Water and Soil Resources. The modifications include specifying local levy authority for implementation funds for a comprehensive watershed management plan, authorizing the use of county conservation fees to be used for matching funds for base grants, and eliminating the board's cost-share fund allocation requirements. Effective date is assumed to be Aug. 1, 2013.

- The modifications related to local water planning and management is assumed to have no state cost impact. The local jurisdictions have the authority to levy for the cost of implementing a watershed management plan in their overall levy under current law.

Manufactured Homes Owned by a Dealer (Sections 6-7)
The bill exempts from personal property taxes manufactured homes held as inventory by a "limited" dealer. Qualifying manufactured homes must be listed as inventory by a licensed or limited dealer, unoccupied and not rented, and may or may not be connected to utilities.

- The bill expands exemption eligibility by adding "limited dealers" and allowing connections of gas and utilities to exemption qualifications.
- An unknown additional number of personal property manufactured homes would become exempt, lowering local collections of personal manufactured home property taxes.
- In addition, an unknown number of real property manufactured homes would become exempt, reducing the tax base. Taxes would shift onto other property types, including homesteads. Property tax refunds would change by an unknown amount as a result.
- All new exemptions are assumed to be unoccupied.

Assessor Accreditation and Sanctions (Sections 8-11, 15-16)
The bill requires that every individual who appraises or physically inspects property for property tax valuation or classification purposes must become licensed as an accredited assessor by July 1, 2019, or by four years after becoming a licensed assessor, whichever is later. The bill also provides additional sanctioning options to the state board of assessors and requires a biannual report on the sanctions recommended and the disposition of those recommendations by the board.

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

Exempt Property Held for Economic Development (Section 12)
The bill changes the property tax exemption for property held by political subdivisions for economic development purposes. Metro counties are added, and the size threshold is increased from 5,000 population to 20,000 population.

- An unknown number of additional properties would become exempt while held for redevelopment.
- The proposal would shift property taxes from exempt properties to homeowners, thereby increasing property tax refunds by an unknown amount beginning in FY 2015 and thereafter.

Indian Tribal Non-profit Property Exemption (Section 13)
The bill exempts property in a first class city of greater than 300,000 population owned by a federally recognized Indian tribe and used for noncommercial tribal purposes. Those purposes include tribal government activities and services to members of the tribe. The exemption is limited to two contiguous properties not to exceed 20,000 square feet. Property acquired for single family housing, market rate apartments, agriculture, or forestry does not qualify. The exemption expires in 2024.

- Two properties in Minneapolis may qualify for this provision.
- Assumes any exemption for taxes payable 2013 would be abated by the county.
- The exemption may have an impact on the local tax base and tax rate in the future, and may result in a negligible change in property tax refunds paid by the state.

Electric Generation Facility Personal Property (Section 14)
The bill exempts the attached machinery and other personal property of new electric generating facilities that exceed five megawatts of installed capacity. At time of construction, the facility must use natural gas as fuel, be owned and operated by a municipal power agency, use reciprocating engines and generators, be located in a service territory exclusively in a metro county, and be connected directly to a municipality's substation. Construction must commence between June 1, 2013, and June 1, 2017. Transmission lines, gas lines, and other connections are not exempt. Effective for assessment year 2013, for taxes payable 2014 and thereafter.

- According to the PUC, no data has been filed for these facilities. As many as 10 facilities may be built for Minnesota Municipal Power Association in Anoka, Chaska, North St. Paul, and Shakopee.
- The proposed exemption to the general public utility provisions may have an unknown impact on the local tax base and tax rate in the future, and may result in a small increase in property tax refunds paid by the state.

Conservation Property Tax Valuation (Section 17)
Under current law, the value of certain real property which is subject to a conservation restriction or easement may be adjusted by the assessor. Under the proposal, the assessor would not be

allowed to reduce the value of the property due to conservation restrictions or easements. Under the proposal, subject property may have a higher assessed value than under current law.

- The proposal may increase forest land values by an unknown amount. Increased forest land values may shift a modest amount of property taxes away from homestead property, reducing state-paid property tax refunds by an unknown amount.

Class 4d Class Rate Reduction (Section 18)
The bill creates a new tier structure for class 4d subsidized housing. The first tier is 0.75 percent of market value, and the second tier is 0.25 percent. The tiers are determined on a per unit basis, and for the first year, the tier break is $100,000 per unit. The tier is adjusted annually. Effective for assessment year 2014 and thereafter.

- The impact of the new tier system is unknown.

Property Tax Due Date Modifications (Sections 19-21)
The bill grants owners of homestead property who are federal active servicemen a 4 month grace period in complying with property tax payment due dates. No penalties may accrue during this period. A written copy of orders or form DD214 showing dates of service must be submitted. Taxpayers on federal active service may not be deemed delinquent if due dates occur while on active service.

- The bill would have no state general fund impacts from Department of Revenue administered aids and credits.
- The bill would reduce the amount of penalties distributed to schools and counties. Lower school penalties will reduce an offset to state education aids, increasing state costs.

Delinquent Property Tax Payment Modifications (Sections 22-25)
The bill makes several changes to property tax delinquency statutes. A confession of judgment market value cap of $500,000 for class 3a commercial-industrial property is stricken, and a new county auditor approval requirement is added. A new section allowing cities of the first class to waive or abate repayment of a portion of special assessments is added. The county auditor may require conditions when considering a request for approval of a confession of judgment for delinquent taxes on a class 3a commercial-industrial parcel. The size and number of payments includes an option for four annual payments. A tax judgment sale redemption period of five years for homesteaded or seasonal residential recreational land is stricken, so that the redemption period for most parcels is three years. A redemption period of two years for owners of multiple delinquent properties is stricken.

- Timing of payments could potentially speed up or be stretched out compared to current law.
- The proposed modifications to the general property tax 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.

Special Service and Housing Improvement Districts Deadline Repealed (Section 30-31)
Under current law, a special service district or housing improvement district established before June 30, 2013 requires no special legislative authorization. After June 30, 2013 the establishment of these districts would each require special legislative authorization.

The bill would extend by 15 years the deadline after which special legislative authorization would be required to establish a special service district or housing improvement district.

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

Bloomington Fiscal Disparities Payment (Section 32)
Beginning in taxes payable 2015, the city of Bloomington will no longer make an extra contribution of tax base to the metropolitan fiscal disparities contribution pool that is required under current law as part of the original Mall of America project. Instead, the state will pay into the pool the equivalent of the former increase in contribution NTC multiplied by areawide tax rate.

- The state payment to the fiscal disparities pool is estimated to be $5.2 million beginning in FY 2016.
- It is assumed that the payment would replace property tax levies. This would reduce property taxes on all property classes in the city of Bloomington including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2016, resulting in a savings to the state general fund.

Cook-Orr Hospital District Levy Authority (Section 33)
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 Cemetery Tax Levy Authority (Section 34)
The proposal would authorize Carlton County to annually levy in and for the unorganized territory of Sawyer for cemetery purposes. The authority would become effective upon local approval.

- 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.

Multicounty Housing and Redevelopment Authority (Section 35)
The repeal of this statute is postponed five years.

- The extension may have an impact on the local tax base and tax rate in the future, and may result in a negligible change in property tax refunds paid by the state.

Cloquet Area Fire and Ambulance Taxing District (Sections 36-37)
Under current law, any other municipality that is contiguous to a municipality in the Cloquet Area Fire and Ambulance Special Taxing District may join the district with agreement of the member municipalities. The tax levy imposed shall not exceed 0.2835 percent of the district's taxable market value for taxes payable 2010.

The bill would allow municipalities that are not contiguous to a member city to join the special taxing district. The tax levy would be modified to apply to all taxable market value in the primary service area that receives the services.

- For new municipalities that may join the Cloquet Area Fire and Ambulance Special Taxing District, it is assumed that the services provided by the special taxing district are already being provided by other governmental units under current law.
- Transferring these services from a city to a special taxing district is assumed to provide a similar level of service at a similar tax levy amount. Therefore there is no assumed impact to the state general fund.

Agricultural Homestead Extension (Section 38)
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, remain the same owner, and 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.

Hennepin County Abatement Reimbursement (Section 40)
The bill would reimburse Hennepin County taxing jurisdictions for property tax abatements granted for the May 2011 tornadoes. The amount necessary would be appropriated from the state general fund to the commissioner of revenue to make the payments, not to exceed $336,000. The appropriation would be available until June 30, 2014.

- The state general fund costs to reimbursing Hennepin County for property tax abatements granted would total approximately $336,000. Assuming an effective date in May 2013, the one-time payment would be provided before June 30, 2013.

Minor League Ballpark Exemption (Section 41)
This section exempts from property taxes the real or personal property acquired, owned, leased, controlled, used, or occupied by the city of St. Paul for a minor league baseball park and related parking. The exemption does not apply to property used for non-ballpark business or residential purposes.

- The new stadium is expected to open in spring of 2015. Estimate assumes $54 million ballpark would be taxable without bill.
- 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 properties subject to the state levy.
- The proposed exemption to the general property tax provisions may have an impact on the local tax base and tax rate in the future, and may result in a $110,000 increase in property tax refunds paid by the state in FY 2017.

Minneapolis Basketball Arena Exemption (Section 42)
The bill exempts real or personal property acquired, owned, leased, controlled, used, or occupied by the city of Minneapolis for the primary purpose of an arena for a professional basketball team from ad valorem property taxes. The property is subject to special assessments for local improvements in proportion to benefits received. Leased property related to the operation of the arena or parking is exempt regardless of the length of lease. Real property used for other residential, business, commercial purposes, is not exempt.

- According to the Minneapolis Assessor's Office, the Target Center facility has a market value of $31 million. (Currently in a TIF district scheduled to decertify for taxes payable 2014)
- It is assumed that the value would double by payable 2016, when renovations are complete.
- Property taxes would shift from newly exempt property to other property types, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds would increase by an estimated $160,000 in FY 2015, $170,000 in FY 2016, and $350,000 in FY 2017.

Class 1c/4c Property Tax Due Date Extension (Section 44)
For taxes payable 2013 only, qualifying 1c and 4c commercial seasonal recreational resort property taxes are due June 15th instead of May 15th. Qualifying properties must include an affidavit that 60 percent or more of their income was earned during the months of May, June, July, and August.

- The number of properties taking advantage of this provision is unknown.

Report on Class 4d Tier Structure (Section 45)
The commissioners of revenue and housing finance are required to report to the legislature by January 31, 2015 on the implementation of the new class 4d tier structure. The report must

include number of properties, as well as characteristics such as location, building type, and number of units.

- No state general fund appropriations are involved.

Study and Report on Certain Property used in Business and Production (Section 46)
The bill requires the commissioner of revenue to study the impact of the exception of certain real property used in business and production. The study must be presented to the chairs and ranking minority members of the house and senate tax committees by Feb. 1, 2014.

- No state general fund appropriations are involved.

Property Tax Savings Report (Section 47)
The bill would require each county and city with a population over 500 to report the amount of sales and use taxes paid in 2012 and discuss the estimated savings realized to their budgets that resulted from the sales tax exemption.

- No state general fund appropriations are involved.

Levy Limits on Counties and Cities (Section 48)
The bill establishes a one-time levy limit for taxes payable in 2014 for all counties over 5,000 population and all cities over 2,500 population. The levy limit base is the certified levy plus county program aid or local government aid for taxes payable in 2012 or 2013, whichever is greater, increased by 3 percent. The levy limit may not be less than the levy for taxes payable in 2012 or 2013, whichever is greater.

- Levy limits on counties and cities would reduce property tax levies beginning in CY 2014. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.

Moose Lake Sewer Line Appropriation (Section 49)
The bill provides an appropriation of $2.0 million in FY 2014 for a grant to the city of Moose Lake for reimbursement for payments related to connection of state facilities to a sewer line.

- The appropriation would increase state costs by $2.0 million in FY 2014 only.

Article 8: Property Tax Interactions from Exempting Counties and Cities from Sales Tax
Section 29 exempts counties and cities from paying sales tax on qualifying purchases effective January 1, 2014.

- It is assumed that the reduction in sales tax paid by counties and cities would reduce property tax levies for a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.

Article 9: Economic Development

Bloomington Provisions (Sections 1, 10-11, 22-23)
The bill redirects the TIF net tax capacity of TIF districts 1-C and 1-G from the fiscal disparities program, and allows the city to retain the contribution levy as if it were a TIF district.

The bill also allows the city of Bloomington and its port authority to extend the duration limits of tax increment financing (TIF) district No.1-I, which contains the Bloomington Central Station property. The 5 year rule for activities to commence is extended to 15 years. The TIF district would be extended eight additional years through Dec. 31, 2039.

In addition, properties may be transferred from TIF district 1-C to 1-G. The duration of the districts may be extended to December 31, 2034. The authority for this section expires in 2024 if improvements do not total $100 million by taxes payable 2023.

- The proposed changes to the TIF provision for district No. 1-I 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.
- The fiscal disparities provisions would lower the contribution and distribution net tax capacities, and lower the metro distribution levy by an estimated $9 million in 2014. The amount of the lower fiscal disparities levy would be replaced by municipal, county, school and special district levies. The switch increases the amount of levy paid by metro taxpayers. Property tax refunds and income tax deductions would increase due to higher property taxes. It is estimated that property tax refunds would increase by $490,000 in FY 2015, by $515,000 in FY 2016, and by $540,000 in FY 2017. Income tax revenues would decrease by $460,000 in FY 2015, $480,000 in FY 2016, and by $500,000 in FY 2017.

Border City Enterprise Zone Allocation (Section 2)
The bill allocates an additional $1,500,000 for income, sales, or property business tax reductions to border city enterprise zones for cities on the western border of the state. The allocation will be apportioned among the cities of Dilworth, East Grand Forks, Moorhead, Ortonville, and Breckenridge by population.

- A small fraction of the enterprise zone payments are for property tax relief, and would have no impact on homeowner property taxes.

TIF General Changes (Sections 3-4)
Qualified border retail facilities no longer qualify as economic development districts. A provision for housing districts is also stricken. Restrictions on expenditure of increments on aesthetic purposes are stricken. 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.

TIF Four-year Rule Extension (Section 5)
The bill extends the duration of certain TIF districts to Dec. 31, 2016. Qualifying districts must have been certified on or after Jan. 1, 2005 and before April 20, 2009. Effective following final enactment.

- 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.

TIF Original Net Tax Capacity Adjustment (Section 6-8)
The bill allows qualifying TIF districts to subtract the amount of the homestead market value exclusion from the original net tax capacity of the district. Qualifying TIF districts must have a taxes payable 2011 homestead market value credit for the district equal to or greater than $10,000, and a taxes payable 2013 ratio of exclusion to captured net tax capacity equal to or greater than 1.75 percent.

County auditor notifications made before July 1, 2013 are effective for taxes payable in 2014. County auditor notifications made after that date are effective for taxes payable 2015. This provision applies to all qualifying TIF districts regardless of certification.

In addition, for districts that were certified after January 1, 2011, and before January 1, 2012, has at least 75 percent of the district's tax capacity consisting of class 4d property, and the average per unit market value is over $115,000, the original NTC may be reduced by up to $20,000.

- About 60 TIF districts appear to qualify for section 7. An unknown number qualify under section 8.
- 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.

TIF General Education Levy Distribution (Section 9)
When distributing excess TIF increment by the county auditor to the qualifying jurisdictions, the increment attributable to the general education levy is to be allocated the school district.

Oakdale TIF (Sections 12-13)
The bill allows the city of Oakdale to qualify parcels for a housing and redevelopment TIF district if buildings on specified parcels are demolished by the housing and redevelopment authority, developer, or owner, and that the certification for the parcel as part of the district is filed by Dec. 31, 2017. Specific parcels are listed. The provisions are subject to 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.

St. Cloud TIF (Section 14)
The bill allows the city of St. Cloud to deem that the certification for TIF district #2 (Northwest District) was made on or after Aug. 1, 1979, and before July 1, 1982 and revenues from increments used accordingly. 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.

Glencoe TIF (Section 15)
The bill allows the city of Glencoe to collect increments from TIF district No. 4 through Dec. 31, 2023. Tax increments collected from that district after Dec. 31, 2013 may only be used to pay debt service on outstanding bonds issued to finance improvements serving TIF district 14, TIF district 15, and series 2007A bonds dated Sept. 1, 2007. 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.

Ely TIF (Section 16)
The bill allows the city of Ely to collect increments from TIF district #1 through Dec. 31, 2021. In addition, increments from TIF districts #1 and #3 may be spent on activities outside the districts. The amounts are limited to that needed to meet the obligations of TIF districts #1 and #3 that cannot be paid by revenues derived from within the districts, to a maximum of $168,000. 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.

Dakota County TIF (Section 17)
The bill allows the Dakota County Community Development Agency to establish a redevelopment 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 TIF district would terminate no later than Dec. 31, 2018. 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 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.
- Total LGA and CPA would remain the same as current law.

Apple Valley TIF (Section 18-19)
The bill allows the city of Apple Valley to create a soils deficiency tax increment financing (TIF) district for specified parcels. Qualifications are listed. Increments may be collected for 20 years, and the district expires December 31, 2022.

The bill also allows the city of Apple Valley to use tax increment financing (TIF) to provide improvements, loans, subsidies, grants, interest rate subsidies, or other assistance to developments consisting of buildings and ancillary facilities if all the following criteria are met. The project must create or retain jobs, would not commence before July 1, 2014 without TIF, request certification before June 30, 2014, construction begins no later than July 1, 2014, and housing construction begins no later than December 31, 2013.

The bill also allows the city to spend tax increments under temporary construction authority until December 31, 2014. Effective day following final enactment.

- 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.

Minneapolis Streetcar Financing (Section 20)
This section allows the city of Minneapolis to create a street car improvement value-capture district comprised of four delineated areas. The authority may spend tax increments on administration costs, engineering services, construction, rolling stock, maintenance facilities, transit stations, related green space, and streetscape improvements. The city may bond for capital improvements. Tax revenues may not be used for operating costs. The district duration is the later of 25 years or the period required to pay off any related bonds.

- The new transit districts 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.

Maplewood TIF (Section 21)
The bill allows the city of Maplewood or its economic development authority to create one or more new redevelopment TIF districts. The parcel is specified, and the district is referred to as the 3M Renovation and Retention Project Area. Requirements for qualifying redevelopment districts are waived, and the rule requiring 90 percent of revenues to correct conditions in the district does not apply. Limitations on use of increments outside the district do not apply, the five year rule for activity to commence does not apply, and the rules for use of revenues for decertification do not apply. Expenditures may only be made in the project area. If there is no demolition, rehabilitation, or renovation in the first year after certification of the district, no additional increment may be taken, and the net tax capacity of the parcel excluded. If activity subsequently commences, 3M must notify the county auditor, and new net tax capacity will be added. The authority to establish a new TIF district expires Dec. 31, 2018. 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.

Article 10: Destination Medical Center

The bill establishes a Destination Medical Center Corporation (DMCC) to provide for the development of the city of Rochester as a global destination medical center. The authority would be required to prepare a development plan for the city that identifies projects necessary to attract medical-related and other businesses to the city and to support growing numbers of patients, visitors, and residents. Officers and duties of the non-profit DMCC are specified, as are the scope of the projects that can be undertaken.

The city of Rochester may also issue bonds for related public improvements.
Fund sources may include a lodging tax, food and beverage tax, entertainment tax, general city sales tax, county transit tax, and county wheelage tax.

State transfers include state infrastructure aid of up to $30 million per year after the first $200 million of expenditures, and state transit aid of up to $7.5 million per year.

Special property tax abatement and tax increment financing rules are established. A study of the area's economic development and transportation impacts is specified.

- An unknown amount of property tax revenue may be raised as part of the project. New abatements and tax increment financing may have an impact on the local tax base and tax rate in the future and may result in a change in property tax refunds paid by the state.

Article 11: Minerals Taxes

Taconite Production Tax Modifications (Sections 1, 3-8, 10)

The bill would make a number of modifications to the distribution of taconite production taxes.

- Section 1 would set the school share of taconite production tax that is used for property tax relief at 95 percent. The remaining 5 percent would be directed to cities and townships within the school district.
- Section 3 would require taconite companies to provide a dollar-for-dollar match to any funds received from the Taconite Economic Development Fund.
- Section 4 would increase the taconite production tax rate by 5 cents per ton.
- Section 5 would increase the distributions to taconite area school districts.
- Section 6 reduces the distribution to the property tax relief fund.
- Section 7 makes the production tax distribution to the city of Eveleth for the hockey hall of fame permanent.
- Section 8 resets the escalator that applies to the rate for the distribution to the taconite tax relief fund after the rate reduction under section 6
- Section 10 would modify the taconite production tax distributions passed in H.F. 729.

- The changes to the local distribution of taconite production taxes are assumed to have no impact on the state general fund.

Occupation Tax Modifications (Section 2)

The bill would redirect a portion of the occupation tax deposited in the state general fund for an annual appropriation in the special revenue fund. The annual amount distributed would be equal to 2.5 cents per ton on the taconite production tax.

- 2.5 cents per taxable ton would yield approximately $1 million in production tax being transferred from the general fund to the special revenue fund beginning in FY 2014.

Iron Range Fiscal Disparities Study (Section 9)

The bill requires the commissioner of revenue to conduct a study of the iron range tax relief area revenue distribution program (iron range fiscal disparities program). The study must be presented to the chairs and ranking minority members of the house and senate tax committees by Feb. 1, 2014. The study must analyze population, tax base, and tax rate trends, contribution and distribution NTC trends, volatility, and state policy changes. The report must also include a description of other property tax aid and local development programs that interact with the fiscal disparities program.

- No state general fund appropriations are involved.

IRRRB Bonds Authorized (Section 11)
This section would allow the IRRRB to issue bonds to make grants to schools within the taconite tax relief area. Taconite production tax revenues of up to 10 cents per ton would be used to pay the principal and interest on the bonds. If the production tax revenues are insufficient in any year, an additional appropriation from the Douglas J. Johnson fund would make up the deficiency.

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

Article 12: Public Finance

The bill would make a number of modifications to the terms, conditions and definitions relating to capital improvement bonding.

Metro Area Transit and Paratransit Capital Expenditures (Section 10)
The proposal authorizes the Metropolitan Council to issue up to $35.8 million in certificates of indebtedness, bonds, or other obligations for capital expenditures as prescribed in the council's transit improvement program and related costs.

- Bonding principal and interest would be paid by increasing property tax levies.
- Based on data from the Metropolitan Council, $10,396,704 of new bonds would be issued in 2015 and the remainder in the following years.
- Any additional debt service levies would increase homeowner taxes, starting with taxes payable in 2016. Property tax refunds would increase by about $450,000 in FY 2017.
- Additional deductions for income tax itemization would lower income tax receipts. Income tax collections are estimated to be reduced by $460,000 in FY 2017

- For all other provisions there is no assumed impact to the state general fund.

Article 14: Market Value Definitions

The proposal changes numerous property tax statutes. Levy limits for special taxing districts are changed from a rate multiplied by taxable market value (TMV) to a rate multiplied by estimated market value (EMV). Special taxing districts affected include economic development, watershed, port authority, regional railroad, and park museum districts. Other definitions and qualifications are altered as well.

- The major state impact of the bill is expected to be an increase in levy authority over current law for those special taxing districts currently at their levy limits.
- Higher residential property taxes would increase property tax refunds by $270,000 in FY 2015, FY 2016, and FY 2017.
- Higher commercial and residential property tax deductions would decrease income taxes by $150,000 in FY 2015, FY 2016, and FY 2017.

Article 17: Department of Revenue Property and Minerals Provisions

- There is no assumed state revenue impact from these provisions.

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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