PROPERTY TAX
Laws 2014, Chapter 308
Articles 1-2, 5-10

May 30, 2014

	Yes	No
DOR Administrative Costs/Savings	X	

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

Department of Revenue
Analysis of Laws 2014, Chapter 308, Articles 1-2, 5-10

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
		(000's)		
Article 1: Property Tax Aids, Credits, and Refunds				
Volunteer First Responder Aid	$0	$0	($1,580)	($1,650)
Agricultural Homestead Market Value Credit	$0	($16,900)	($14,800)	($15,100)
Income Tax Interactions	$0	$600	$500	$500
Disparity Reduction Credit to 1.6%	$0	$0	($2,200)	($2,300)
Income Tax Interactions	$0	$0	$70	$70
Supplemental Firefighter Retirement State Aid	$0	$0	$0	$0
Local Government Aid Appropriation Increase	$0	$0	($7,800)	($7,800)
Property Tax Refund Interactions	$0	$0	$200	$200
Income Tax Interactions	$0	$0	$150	$150
Formula Distribution Fix	$0	$0	$0	$0
PILT Formula Distribution Fix	($71)	$0	$0	$0
Transition Aid (Tanks & Bins)	$0	$0	$0	($160)
County Aquatic Invasive Species Aid	$0	($4,500)	($10,000)	($10,000)
Property Tax Refund Interactions	$0	$0	$260	$260
Income Tax Interactions	$0	$0	$190	$190
City of Bluffton LGA penalty forgiveness	$0	($20)	($28)	$0
County Program Aid One-Time Supplemental	$0	($740)	$0	$0
Homestead Credit Refund to Homeowners	$0	($12,100)	($100)	$0
Renter Property Tax Refund	$0	($12,500)	($100)	$0

Article 2: Property Taxes

EMS District Levy Authority Increase				
Property Tax Refund Interactions	$0	$0	$0	($10)
Income Tax Interactions	$0	$0	$0	($10)
Personal property used for pollution control	$0	$0	$0	$0
Solar Energy Systems Property Exempted	$0	$0	(negligible)	(negligible)
Local Production Tax	$0	$0	$0	$0
Electric Generation Facility Exemption	$0	$0	$0	$0
Electric Generating Slide Scale Exclusion	$0	(unknown)	(unknown)	(unknown)
Modify Definition of Real Property (Tanks & Bins)	$0	$0	$0	($30)
Disabled Veterans Exclusion Extension	$0	$0	$120	$190
Proposed Levy Reporting Requirements	$0	$0	$0	$0
Interest rate on unpaid property taxes	$0	$0	$0	$0
Anoka County Levy for Public Safety	$0	$0	$0	$0
Cedar Lake Water and Sanitary Sewer District	$0	$0	$0	$0
Helena Township Service District Repeal	$0	$0	unknown	unknown
City of Jackson Abatement Limit	$0	$0	$0	$0
Energy Producing Systems Study	$0	($150)	$0	$0
North Dakota Oil Production Study	$0	($250)	$0	$0

Article 5: Minerals

Iron Range School Account Modifications	$0	$0	$0	$0
Net Proceeds Tax Distribution Modification	$0	$0	$0	$0
Rock County Aggregate Materials Tax	$0	$0	$0	$0
Aitkin Taconite Distribution Modification	$0	$0	$0	$0
Cook Taconite Distribution Modification	$0	$0	$0	$0
2014 Taconite Distributions for Public Projects	$0	$0	$0	$0

Article 6: Local Development

Ramsey County HRA	$0	$0	$0	$0
Dakota County Community Development Agency	$0	$0	$0	$0
TIF Five-year rule	$0	$0	$0	$0
TIF Economic Development	$0	$0	$0	$0
TIF Bloomington	$0	$0	$0	$0
TIF Baxter	$0	$0	$0	$0
TIF Eagan	$0	$0	$0	$0
TIF Edina	$0	$0	$0	$0
TIF Maple Grove	$0	$0	$0	$0
TIF Mound	$0	$0	$0	$0
TIF North St. Paul	$0	$0	$0	$0
TIF Savage	$0	$0	$0	$0
TIF Shoreview	$0	$0	$0	$0
Workforce Housing Grant Pilot Project	$0	($627)	($1,373)	$0

Article 7: Lewis and Clark Regional Water System Project

Debt Service Aid	$0	$0	($2,200)	($2,200)

Article 8: Miscellaneous

Procedures for Professional License Revocation	$0	$0	$0	$0
Carlton County Conservation District Authority	$0	$0	$0	$0

Article 9: Unsession Provisions

Unsession Provisions	$0	$0	$0	$0

<u>Article 10: Department of Revenue Property Tax Provisions</u>

DOR Policy and Technical Changes	$0	$0	$0	$0
Total State General Fund Impact Total	**($71)**	**($47,187)**	**($38,691)**	**($37,700)**

Non-General Fund Impacts

Taconite Environmental Protection Fund				
Expired School Bond Payments (2/3)	$0	$0	$0	($20)
Douglas J Johnson Economic Protection Fund				
Expired School Bond Payments (1/3)	$0	$0	$0	($10)
Iron Range School Consolidation Account				
Expired School Bond Payments	$0	$0	$0	$30
Taconite Property Tax Relief Account				
Distribution for Public Projects	$0	($7,460)	$0	$0

Various effective dates.

EXPLANATION OF THE BILL & REVENUE ANALYSIS DETAIL

<u>Article 1: Property Tax Aids, Credits and Refunds</u>

Volunteer first responder aid (Section 1)
The proposal would provide state aid to pay volunteer retention stipends to qualified volunteers. Aid would be available for qualified entities in the pilot area, consisting of the counties of Beltrami, Chippewa, Clearwater, Faribault, Fillmore, Freeborn, Houston, Kandiyohi, Mahnomen, Morrison, Redwood, Renville, Todd, and Watonwan, to pay annual volunteer retention stipends for qualified volunteers. A qualified volunteer is a volunteer who has provided service to a qualified entity as a volunteer firefighter, volunteer ambulance attendant, or volunteer medical responder.

The commissioner of public safety will prescribe the form and due date of applications for aid. The commissioner must then certify to the commissioner of revenue which qualified volunteers are to receive aid and the total amount of aid to be paid to each qualified entity by June 1 of each year.

The amount of aid would be $500 multiplied by the number of qualified volunteers. The commissioner of revenue is to pay aid to qualified entities by July 15 of the calendar year following the year that volunteer service was provided. The qualified entities must then pay the aid as retention stipends within 30 days of receiving the aid.

The commissioner of public safety must report to the legislative committees with jurisdiction over public safety and taxes no later than January 15, 2018 on aid paid. The report must include, by year, a listing of qualified entities, the amount paid to each entity, and the number of volunteers paid stipends by each entity as well as the number of qualified volunteers in comparison counties.

An amount sufficient to pay the aid in each of fiscal years 2016, 2017, and 2018 would be appropriated from the general fund. The proposal would become effective in calendar years 2014, 2015, and 2016 for aid payable in calendar years 2015, 2016, and 2017.

- According to the 2012 National Fire Department Census, the fourteen counties in the pilot area have approximately 2,900 active volunteer firefighters. The departments included in this estimate are those with mailing addresses in the pilot area.
- Based on data from the Emergency Medical Services Regulatory Board, there are about 4,000 volunteer ambulance attendants in the state. Using the same proportion as volunteer firefighters in the pilot area to statewide volunteer firefighters, it is assumed that there are about 600 volunteer ambulance attendants in the pilot area.
- While there are many emergency medical responders, most are either paid members of police and fire departments or are included in the number of volunteer firefighters. It is assumed that there are 100 additional volunteer emergency medical responders statewide. Using the aforementioned proportion, it is assumed that 15 of those volunteers are in the pilot area.
- It is assumed that turnover rates are such that 90% of volunteers would have served for at least one year and would qualify for the stipend.
- The total volunteer retention stipend is estimated to be $1,580,000 in FY 2016. Assuming growth in volunteer retention and potential new volunteers, total stipends in FY 2017 are estimated to be $1,650,000.
- The proposal would increase costs to the state general fund for fiscal years 2016, 2017, and 2018.

Agricultural homestead market value credit (Sections 2, 14)
Under current law, the agricultural homestead market value credit is 0.3% of market value on the first $115,000, with a decrease of 0.05% of market value on the next $230,000. The credit for the parcel if the total value is over $345,000 equals $230.

Under the proposal, the agricultural homestead market value credit would be 0.3% of market value on the first $115,000, with an additional credit of 0.1% of market value above $115,000. The maximum credit for the parcel would be $490.

In addition, because tax statements for payable 2014 will have been mailed before the proposal becomes law, a supplemental credit of $205 per agricultural homestead will be paid. The supplemental credit cannot exceed net taxes due and properties with delinquent taxes are not eligible. County auditors must provide the department with the information necessary to pay the supplemental credit. The commissioner must pay the credits by October 15, 2014. Tax statements in 2015 must reflect the new credit amounts.

- The supplemental credit in FY2015 is estimated to be $16.9 million. The number of agricultural homesteads to receive a supplemental credit payment is estimated to be 94,000.
- The new credit total is estimated to be an increase over current law of $15.1 million beginning in payable 2015. For FY 2016, the agricultural homestead market value credit reimbursement to schools is reduced for the 90/10 school levy recognition shift.
- The maximum credit begins at $260,000 of market value. Homesteads with land value of less than $115,000 would see no change in the amount of the credit.
- Lower farm taxes would decrease deductions for income taxes, raising collections. The increase in income tax receipts is estimated to be $600,000 in FY 2015 and $500,000 in FY 2016 and thereafter.

Disparity reduction credit (Section 3)
The proposal lowers the effective tax rate threshold for calculating disparity reduction credit (DRC) from 1.9% under current law to 1.6%. Apartment and commercial property in the city of Ortonville would also become eligible to receive the credit.

- The proposal was modeled on payable 2014 data.
- DRC would increase by $2.2 million in FY 2016, and by $2.3 million in FY 2017.
- Lower property taxes on apartments and commercial property would decrease income and corporate franchise tax deductions. Collections on those taxes would therefore increase by $70,000 in beginning in FY 2016.

Supplement Firefighter Retirement State Aid (Sections 4, 12)
The proposal changes the definition of the term "municipalities" as it relates to fire supplemental retirement state aid. The proposal makes independent nonprofit firefighting corporations that participate in the voluntary statewide retirement plan eligible to receive this state aid after a 2013 law removed their eligibility.

The proposal also requires the commissioner of revenue to determine those independent nonprofit firefighting corporations that were eligible for fire state aid under Minnesota statutes in 2012 and did not receive a 2013 allocation of fire supplemental retirement state aid. The commissioner must also determine the amount of aid that would have been paid to those departments in 2013, and that total would be deducted from the amount available for allocations of 2014 aid payments. The independent nonprofit firefighting corporations would be paid their respective portion of 2013 aids as an additional payment on October 1, 2014.

The remaining amount available for allocations of 2014 payments would be paid in accordance with statute, including the renewed eligibility of independent nonprofit firefighting corporations under this proposal.

- There are 59 total independent nonprofit firefighting corporations in the state that would be eligible for supplemental state aid under this proposal. 58 of those departments would have qualified for the 2013 aid as stated in this proposal, with an estimated total of $350,000.
- Because the proposal does not allocate any additional police and firefighter state aid, there is assumed to be no impact on the state general fund. The state aid would be dispersed to a greater number of departments, and would result in a reduction in aid for each department receiving aid under current law.

Local Government Aid Modifications (Sections 5-6)
Under current law the LGA appropriation is $509,098,012 for aids payable in 2015 and $511,598,012 for aids payable in 2016 and thereafter.

The proposal would make two modifications to the local government aid (LGA) distribution to cities:
1. Increase the annual appropriation by $7.8 million beginning for aids payable in 2015;
2. Modify the formula distribution for cities with unmet need less than previous year aid by setting the city's formula aid equal to its unmet need amount.

- The additional state general fund costs from an increased LGA appropriation would be $7.8 million beginning in payable year 2015.
- 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 2016, resulting in a savings to the state general fund.
- The modification to the formula distribution for cities with unmet need less than previous year aid would not impact state general fund costs because aid would shift among cities.

Payment in Lieu of Taxes (PILT) Formula Adjustment (Sections 7-9)
The bill clarifies the distribution of payments in lieu of taxes (PILT) and would provide a payment to counties that would have received a higher per acre payment for wildlife management land in payable year 2013.

- Five counties would receive a payment totaling approximately $71,000, increasing state general fund costs in FY 2014.

Production property transition aid (Section 10 & Art 2, Section 9)
The bill exempts structures and exterior shells primarily used for the storage of ingredients or materials used in the production of biofuels, wine, beer, distilled beverages, and dairy products, or the storage of the finished products themselves.

In addition, a production property transition aid is created for cities or townships whose net tax capacity is reduced by more than five percent of its 2015 net tax capacity due to the exemption. The aid equals the difference in net tax capacity multiplied by that year's tax rate. The aid is phased out, so that 100% of the transition aid is paid in taxes payable 2016, 80% in payable 2017, 60% in payable 2018, 40% in payable 2019, 20% in payable 2020, and zero in following years. The commissioner of revenue is to certify the aid to local units of government by August 1st of each year.

- The transition aid is estimated to be $160,000 for 3 jurisdictions beginning in FY 2017.
- Changing the amount of exempt value would shift property tax burdens for other property types. Shifted homeowner taxes would change property tax refunds. Property tax refunds would increase by $30,000 in FY 2017 and following years.

County Aquatic Invasive Species Prevention Aid (Section 11)
The proposal would create a new aid distribution formula for counties based on public water access and appropriates $10 million annually. The aid would be distributed based on a county's share of the statewide total for the following:

1. 50% based on the share of watercraft trailer launches, and
2. 50% based on the share of watercraft trailer parking spaces.

The proceeds from this aid must be used solely to prevent or limit the spread of aquatic invasive species at all access sites within the county.

For aids payable in 2014 only, a payment of $4.5 million would be provided in July 2014.

- Under the proposal, state general fund costs would be increased by $4.5 million for aids payable in 2014 and $10 million for aids payable in 2015 and thereafter. It is estimated that 83 of 87 counties would receive an increase in aid under the proposal (the exceptions being Dodge, Fillmore, Pipestone and Rock).
- It is assumed that counties receiving an increase in aid would reduce property tax levies for a portion of the increase beginning in payable year 2015. 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 2016, resulting in a savings to the state general fund.

Supplemental county program aid for 2014 (Section 13)
The proposal would create one-time supplemental county program aid for 2014. Increased aid would be available to each county whose certified aid for 2014 is less than the aid it received in 2013. The eligible counties would receive supplemental aid in 2014 equal to the difference between the amount received in 2013 and the amount certified for 2014.

- Under the proposal, 11 counties would be eligible to receive the supplemental county program aid. The total one-time supplemental aid these counties would be eligible for is $738,182 to be paid in FY 2015 from the state general fund.

City of Bluffton LGA penalty forgiveness (Section 15)
The bill would provide payments to the city of Bluffton for its 2011, 2012 and 2013 local government aid (LGA) withheld due to noncompliance with financial reporting requirements. The payments would be made in two installments: $20,000 in July 2014 and $28,151.50 in July 2015.

- Under current law, unpaid LGA payments cancel to the state general fund.
- The bill would provide for payment of the withheld amounts at a cost to the state general fund of $48,151.50.
- The city of Bluffton in Otter Tail County would receive payments of $20,000 in FY 2015 and $28,151.50 in FY 2016.

Homestead credit refund and renter property tax refund increase (Section 16)
The proposal would provide a one-time increase in property tax refunds to homeowners and renters. Homeowners would receive an increase of 3% of their homestead credit refund based on property taxes payable in 2014 and renters would receive an increase of 6% of their property tax refund based on rent paid in 2013. The proposed increases are separate from the initial refund calculations so filers would be eligible to receive a total combined refund in excess of the initial maximum refund limits.

- The estimate is based on the February 2014 forecast.
- The proposed refund increases would increase state general fund costs by $24.8 million, with renters receiving a total increase of $12.6 million and homeowners receiving a total increase of $12.2 million.
- Most of the increased refunds would be paid in the current filing year for fiscal year 2015. Because filers have until the following August 15th to submit a claim for a current year refund, a small portion of 2013 return year refunds would be a paid in the following fiscal year 2016.

Article 2: Property Taxes

Emergency Medical Service District Levy Authority (Section 1)
Under current law, the levy authority for an emergency medical services special taxing district is limited to 0.048% of the taxable value of the district or $400,000, whichever is less.

The bill would increase the levy authority to $550,000 beginning for taxes payable in 2016.

- Three emergency medical services special taxing districts were identified from the pay 2014 levy survey: one in Beltrami County, one in Cass County and one in Dakota County. It is assumed that the district in Dakota County would be impacted by the bill.
- The current levy for the emergency medical services special taxing district in Dakota County is $400,000 for payable year 2014. Increasing the levy authority by $150,000 under the proposal would increase property taxes on all property classes including homesteads.
- The increased property tax burden would increase state-paid homeowner property tax refunds and income tax deductions beginning in FY 2017, resulting in a cost to the state general fund.

Utility property exemption notification (Sections 2, 5-6)
The bill requires the commissioner of Revenue to develop an electronic means to notify interested parties when electric power generation facilities have filed an application for a pollution control exemption or for a sliding-scale exclusion, or when a sliding-scale exclusion has been approved. Effective the day following final enactment.

- There is no state general fund impact of the provisions.

Solar Energy Property Tax Exemption and Production Tax (Sections 3, 8)
The proposal would exempt the personal property of solar energy generating systems from property taxation and impose a solar energy production tax on solar energy systems used as a power source. The property shall be classified as class 3a if the real property upon which a solar energy generating system is located is primarily used for solar energy production that is subject to production tax. If the real property is not primarily used for solar energy production, the real property shall be classified without regard to the system.

A solar energy generating system is defined as a set of devices whose primary purpose is to produce electricity by means of any combination of collecting, transferring, or converting solar-generated energy. The rate of tax on the production of solar energy would be $1.20 per megawatt-hour, with the exemption of systems with a capacity of one megawatt alternating current or less.

Provisions are proposed to determine the total size of a solar energy system. Unless the systems are interconnected with different distribution systems, the nameplate capacity of more than one solar energy system would be combined if (1) they are constructed within the same 12-month period and (2) they exhibit characteristics of being a single development. The commissioner of commerce shall make determinations on the total size of a system and the combining of systems.

Owners of solar energy systems subject to tax would be required to file a report with the commissioner of revenue annually by January 15 detailing the amount of electricity that was produced in the previous year. If an owner fails to file the report by the due date, the commissioner shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 30 percent. The commissioner shall then notify the owners of the tax due to each county for the current year by February 28.

Payment of production tax would be paid in the same manner as property taxes and is subject to the same enforcement, collection, and interest and penalties as delinquent personal property taxes. The revenue from the production taxes imposed must be distributed by the county auditor or county treasurer to local taxing jurisdictions in which the solar energy systems are located as follows: 80 percent to counties and 20 percent to cities and townships.

The property tax exemption and production tax would be effective beginning with taxes payable in 2015.

- According to the Department of Commerce, Minnesota currently has 14 megawatts of solar energy capacity producing about 16,000 megawatt-hours of energy per year. Capacity is expected to grow to 400 megawatts by 2020 due to the renewable energy standards set by legislation. 265 megawatts of the projected growth is expected to be large, utility-scale solar energy systems that would be subject to the production tax. Construction is expected to be focused mostly in central and southern Minnesota.
- There is currently one solar energy systems that has a capacity greater than one megawatt alternating current that would be subject to the production tax. The facility, located in Slayton, has a nameplate capacity of 2 megawatts.
- Revenue from production taxes at current capacity would be around $3,000, but is expected to grow based on projections from the Department of Commerce.
- Because photovoltaic devices are currently exempt from property taxes, expanding the exemption to solar energy generating systems is assumed to have a negligible effect on the state general fund.

Electric Generating Facility Exemption Extension (Section 4)

This section extends the exemption period for the electric generating facility in MS 272.02, subdivision 93 from January 1, 2010 through January 1, 2014 to January 1, 2015 through January 1, 2019. Effective for assessments in 2015, payable in 2016 and thereafter.

- There is no state general fund impact of the bill.

Electric Generating Sliding Scale Limitation (Section 7)

The bill limits the sliding scale market value exclusion for an electric power generation facility eligible for taxes payable in 2015, or for facilities that are converted from coal to an alternative fuel and have a nameplate capacity prior to conversion of less than 75 megawatts.

- Electric generating facilities larger than 75 megawatts that were not yet eligible for the exclusion for taxes payable in 2015 would no longer be able to qualify for the exclusion.
- Changes to the general state assessed property 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.

Disabled Veterans Exclusion Extension (Section 10)
Under current law, a market value exclusion is available for homestead property owned by a disabled veteran who is at least 70% disabled as a result of a service-connected disability. The exclusion amount is based on the disability percentage: 70% to <100% disabled = $150,000 valuation exclusion; and 100% disabled = $300,000 valuation exclusion.

If upon the death of a 100% disabled veteran the spouse is the legal owner of the property, the exclusion carries over to the benefit of the veteran's spouse for five additional taxes payable year or until the spouse sells, transfers, or disposes of the property, whichever comes first.

The proposal would change the exclusion extension for surviving spouses from 5 years to 8 years.

- For taxes payable year 2014, approximately 12,340 veterans in Minnesota with a disability rating of at least 70% received a homestead valuation exclusion, the fifth year it was available. Approximately 7,770 have a disability rating of 100%.
- Due to the passing of a qualifying disabled veteran, it is estimated that 3% of homesteads receiving the valuation exclusion would lose eligibility each year under current law. It is assumed that 25% of these homesteads would have no surviving spouse or the spouse would choose to transfer the property. The remaining 75% would be eligible to continue receiving the homestead valuation exclusion.
- The disabled veteran valuation exclusion results in a net property tax refund savings to the state general fund. There would be no income tax interaction as shifting property taxes yield zero net change. The average state savings per homestead with a disability rating of 100% is estimated to be approximately $480. A 3% annual growth rate is assumed.
- The first new extensions would impact taxes payable in 2015. It is assumed that any eligible spouse who stopped receiving the market value exclusion after pay 2013 would be allowed to continue receiving the exclusion beginning again in pay 2015.
- The proposal would shift an estimated $480,000 in property tax onto all other property types in the first year and $760,000 in the second year.
- Tax year impact is allocated to the following fiscal year.

Proposed Levy Reporting Requirements (Section 11)
The proposal amends current law to extend the deadline for certification of proposed levies for certain jurisdictions. The deadline would be changed from September 15 to September 30 each year for counties, home rule charter cities, and statutory cities. The deadline would be September 15 for all towns and special taxing districts. For towns, the proposed levy would also be considered the final certified levy. Effective beginning with taxes payable in 2015.

- The proposal would have no impact on the state general fund. It would only impact the date that certified levies are due for some jurisdictions. The dates levies are implemented would not change.

Interest Rate on Unpaid Property Taxes (Sections 12-13)
Under current law all property pays interest on confessions of judgment of between ten and fourteen percent. The bill creates a new interest rate for class 1a and class 1b residential homesteads, excluding relative homesteads. The interest rate is the greater of (1) five percent or (2) two percent plus the prime rate charged by commercial banks to large businesses, rounded to the nearest full percent. The interest rate shall not exceed the maximum under M.S.279.03 (fourteen percent). The interest rate at the time of agreement remains for the duration of the judgment. Qualified property owners eligible to enter a second confession of judgment may do so at the interest rate above. Repurchase agreements are not eligible for the above interest rate.

Obsolete confession of judgment language for judgments authorized between July 1, 1982, and December 31, 1990 is stricken.

Effective for confessions of judgment entered into on or after January 1, 2015.

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

Anoka County Levy for Public Safety (Sections 14-15)
The proposal would allow Anoka County levy authority, in addition to debt incursion, to finance countywide public safety improvements and equipment. The public safety projects would be required to be approved by the Anoka County Joint Law Enforcement Council. The county's authority to levy for public safety projects would begin with taxes payable 2013 and would expire on December 31, 2023.

- The proposal is assumed to have no impact the state general fund. Under current law, general county levy limits are not in effect and the overall property tax levy authority of Anoka County would be unaffected.

Cedar Lake Water and Sanitary Sewer District (Section 16)
The proposal increases the number of connections allowed for the Cedar Lake area water and sanitary sewer district from 325 to 364. Effective following local approval.

- The proposal is assumed to have no impact on the state general fund.

Helena Township Removal of Subordinate Service District (Section 17)
The proposal allows for the removal of the subordinate service district for the Silver Maple Bay Estates in Helena Township, Scott County. Special provisions would require all outstanding obligations of the district to be paid in full. The town board may vote to sell or use any surplus of land, equipment, or revenues from taxes or service charges to another public sewer system. Any surplus not used to connect residents to such sewer system may be distributed to property owners that paid the most recent taxes or service fees to the district. Any surplus not refunded must be transferred to the town's general fund. The proposal would become effective following final enactment.

- The elimination of the subordinate service district and disposition of assets may reduce future property taxes in Helena Township by an unknown amount. Lower property taxes will reduce state paid property tax refunds and income tax deductions, increasing state income tax revenue.

Jackson County Abatement Limit (Section 18)
The bill increases the city of Jackson's authority to abate property taxes to the greater of ten percent of the city's net tax capacity, or $240,000. The current law cap is $200,000 or ten percent of the city's net tax capacity. Effective for taxes payable 2015 through 2019.

- The proposed changes to the city's abatement authority 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.

Energy Producing Systems Study (Section 19)
The bill requires the commissioner of revenue to conduct a study of the taxation of electric energy producing systems in the state, including both traditional and renewable energy sources. The study must address: (1) the various methods by which the personal and real property of energy producing systems are taxed; (2) the availability of any exclusions, exemptions, or payment-in-lieu of taxation arrangements that apply to the systems, (3) how host political subdivisions and communities are compensated for the external costs of production facilities, (4) the net cost of property and other taxes per unit of energy produced in Minnesota and its border states, (5) alternative tax or fees systems for compensating political subdivisions and communities for external costs, and (6) recommendations on the taxation of solar energy producing systems. The study must be presented to the house and senate tax committees by February 1, 2015. The bill appropriates $150,000 in fiscal year 2015 to pay for the study.

North Dakota Oil Production Study (Section 20)
The bill requires the commissioner of employment and economic development to conduct a study of the effects of current and projected oil production in North Dakota on the Minnesota economy, with special focus on the northwestern region and area border cities. The study must be presented to the house and senate committees with jurisdiction over economic development and workforce issues by February 15, 2015. The study must address: (1) current and projected economic, fiscal, and demographic issues; (2) direct and indirect costs and benefits; (3) positive and negative effects, and (4) economic challenges and opportunities for economic growth or diversification. The bill appropriates $250,000 in fiscal year 2015 to pay for the study.

Article 5: Minerals

Iron Range School Consolidation Account (Sections 1-2, 4-6, 10)
The bill would broaden the list of revenues received by the Iron Range School Consolidation and Cooperatively Operation School Account. The bill would reallocate to the school account the payments currently appropriated to nine schools with expiring bonds.

The bill would also modify 2014 Laws Chapter 150 provisions related to the Iron Range school account by clarifying the fiscal disparities levy backup funding and limiting the number of years that a 5.0¢ per ton distribution would be deposited into the school account by specifying that the last year of distribution would be 2023. Beginning with distribution year 2024 the 5.0¢ per ton would then be distributed to the county road and bridge fund.

- Nine school districts receiving taconite production tax payments have bonds that will be expiring over the next ten years. Under current law, the reveunes currently funding payments would be credited to the Taconite Environmental Protection Fund and the Douglas J Johnson Economic Protection Trust Fund as excess taconite production tax revenues. Under the proposal, these payments would be directed to the school trust account beginning the year after the final payment for school bonds is made.
- The estimated payments to the school trust account are $61,000 for distribution year 2017, $1.8 million for distribution year 2018, $2.4 million for distribution years 2019 and 2020, $2.6 million for distribution year 2021, $2.9 million for distribution year 2022 and 2023, and $3.4 million for distribution years 2024 and thereafter.
- The distribution year impacts were converted to fiscal year amounts.

Net Proceeds Tax Distribution Modifications (Section 3)
The bill would modify the distribution of net proceeds tax to include the areas where the concentrate was produced.

- The changes to the local distribution of net proceeds tax revenues are assumed to have no impact on the state general fund.

Rock County Aggregate Materials Tax Rates (Section 7)
Under current law, a county imposing the aggregate materials production tax must impose the tax at a rate of either 21.5¢ per cubic yard or 15¢ per ton. An exception is provided to any county that borders two other states and that is not contiguous to a county that also imposes the aggregate materials production tax. In this case the tax may be imposed at a lower rate of either 10¢ per cubic yard or 7¢ per ton. This exception is set to expire on December 31, 2014.

The bill would extend the expiration date to December 31, 2024.

- The bill would have no impact on any state funds. Rock County is the only county imposing the aggregate materials production tax that is eligible for the lower tax rates exception and the revenues from the tax would continue to go to the county.

Aitkin Taconite Distribution Modification (Section 8)
Through a special taconite production tax distribution in 2008 only, the city of Aitkin received 0.65¢ per ton for sewer and water for housing projects.

The bill would modify the distribution to the city Aitkin by changing to the specified use of funds to economic development projects.

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

Cook Taconite Distribution Modification (Section 9)
Through a special taconite production tax distribution in 2013 only, the city of Cook received 1.5¢ per ton for street improvements, business park infrastructure, and a maintenance garage, and a separate 0.5¢ per ton for a water line project.

The bill would modify the distribution to the city of Cook by assigning the full 2.0¢ per ton for street improvements, business park infrastructure, and a maintenance garage. The bill would also correct the distribution amounts that should refer to cents per ton but were defined as only cents.

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

2014 Taconite Distributions for Public Projects (Section 11)
The bill would create a special fund to receive 18.84 cents per ton for distribution year 2014 only. The source of the revenue into the special fund would be the taconite property tax relief fund. Distributions are specified for public works projects.

- The distributions for projects would not impact to the state general fund.
- Approximately $7.46 million would be transferred from the taconite property tax relief fund in distribution year 2014.

Article 6: Local Development

Ramsey County HRA (Section 1)
The bill would provide the Ramsey County Housing and Redevelopment Authority (HRA) the powers to establish housing improvement areas within the county. The HRA would be required to send a copy of each petition to the city in which the proposed housing improvement area is located and hold a public hearing within 30 days. If the city council adopts a resolution to oppose the establishment, the HRA would not be allowed to establish the proposed housing improvement area.

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

Dakota County Community Development Agency (Section 2)
The bill would modify the threshold criteria for the purposes of allocating low-income housing tax credits. The Dakota County Community Development Agency would be allowed to allocate a portion of its current tax credits to new construction or rehabilitation of multifamily housing located near certain mass transit hubs.

- There is no assumed impact to the state general fund due to the proposed modifications to the authority's allocation criteria.

Five-year rule (Section 3)
The five year rule would be extended eight years for redevelopment or renewal and renovation tax increment financing (TIF) districts created after April 20, 2009 and before June 30, 2012.

- The proposed changes to TIF provisions would have no general fund impact.

Economic development districts; fiscal disparities option (Section 4)
This section authorizes economic development districts to use option A for the fiscal disparities offset.

Bloomington TIF (Section 5)
The bill allows the city of Bloomington to use any remaining funds from its Old Cedar Avenue bridge replacement account for improving related bicycle and pedestrian trails, including signage, following completion of the bridge's repair, replacement, or renovation.

- The proposed changes to TIF provisions would have no general fund impact.

Baxter TIF (Section 6)
The bill makes several changes to the city of Baxter's Isle Drive tax increment financing (TIF) district. Additional specified parcels may be added to the Isle Drive TIF district, and the original net tax capacity increased. Building permit adjustments to the original net tax capacity for planned improvements are not required for the additional parcels. The tax increment from any portion of the district may pay for allowable expenses. The TIF plan must be updated by the city, and the original certification date for the entire district remains December 30, 2011.

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

Eagan TIF (Section 7)
The bill allows the city of Eagan to collect tax increment from the Cedar Grove Tax Increment Financing (TIF) district. Effective for taxes payable 2015, the city may choose to compute the increment based on the current local tax rate. The requirement that activity begin within five years of the date of certification is extended to 13 years. The district is extended by three years to 2032. Effective upon local approval.

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

Edina TIF (Section 8)
The bill allows the city of Edina to create one or more tax increment financing (TIF) housing districts in the Southeast Edina Redevelopment District Area. Authority to establish the districts expire June 30, 2017. Collection of tax increments is limited to 20 years from receipt of first increment. Applicable income limits are changed for residential rental projects.

In addition, qualified building requirements are disregarded for the use of tax increments from the Southdale 2 tax increment financing (TIF) district for a housing project. Additional pooling is authorized.

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

Maple Grove TIF (Section 9)
The bill creates a soil deficiency tax increment financing (TIF) district for the city of Maple Grove. The project area is defined by legal description. A soil deficiency TIF district is defined as one which has terrain that requires fill and grading for over 80 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. These rules may apply to any redevelopment, renewal and renovation, soil condition, or soil deficiency district. The city 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. The five year rule for activity to commence does not apply. The total revenue that may be spent outside the district (but within the project area) is increased from 25 percent to not more than 40 percent. Increments from a soil deficiency district may be collected for 20 years. Increments may be used to acquire parcels, correct terrain or soil deficiencies, install public improvements, and administrative expenses. The authority to establish TIF plans under this statute expires June 30, 2020. Effective upon local approval.

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

Mound TIF (Section 10)
The bill extends the five year rule for activity to begin in the Mound Harbor tax increment financing (TIF) district to 13 years from the date of certification of the district. Effective upon local approval.

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

North St. Paul TIF (Section 11)
The bill allows the city of North St. Paul to create a redevelopment tax increment financing (TIF) district. A specified parcel is deemed occupied by a blighted building if certain conditions are met. Buildings must be demolished by the city or owner after municipal resolution, and must include a development agreement. The current market value may be used for establishing original net tax capacity. The request for certification must be filed with the county auditor by December 31, 2017.

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

Savage TIF (Section 12)
The bill creates a soil deficiency tax increment financing (TIF) district for the city of Savage. The project area is defined by legal description. A soil deficiency TIF district is defined as one which has terrain that requires fill and grading for over 80 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. These rules may apply to any redevelopment, renewal and renovation, soil condition, or soil deficiency district. The city 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. The five year rule for activity to commence does not apply. The total revenue that may be spent outside the district (but within the project area) is increased from 25 percent to not more than 40 percent. Increments from a soil deficiency district may be collected for 20 years. Increments may be used to acquire parcels, correct terrain or soil deficiencies, install public improvements, and administrative expenses. The authority to establish TIF plans under this statute expires June 30, 2020. Effective upon local approval.

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

Shoreview TIF Pilot Project (Section 13)
The bill allows the city of Shoreview to create not more than three economic development Tax Increment Financing (TIF) districts. The authority to create these districts expires on June 30, 2019. Qualified businesses must have operated within Shoreview or outside the state, and result in additional manufacturing, research, service, or professional jobs. Wage qualifications are stated. The business cannot be engaged in retail sales or services. The duration limit for the districts is 12 years after receipt of first increment. Business subsidies do not apply to buildings and facilities relocated from other Minnesota jurisdictions. The requirement that no more than 15% of buildings and facilities used for non-specified purposes is increased to 25%. Up to 20% of the increments may be

used to establish a Business Retention and Expansion Fund. Additional unused increment from Shoreview TIF districts established before April 30, 1990 may be added to the fund.

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

Workforce Housing Grant Pilot Project (Section 14)
The bill establishes a workforce housing grant pilot program to award grants to a city for costs related to financing market rate residential properties. Municipalities qualifying for workforce housing projects must be located in Roseau or Pennington Counties and have a population greater than 1,500. The bill appropriates $627,000 in fiscal year 2015 and $1.373 million for fiscal year 2016 and is available until June 30, 2018. By January 15, 2016 cities must submit a report to the legislature specifying the projects that received grants and the how the funds were used.

- The pilot project would increase state costs by $627,000 in fiscal year 2015 and $1.373 million fiscal year 2016.

Article 7: Lewis and Clark Regional Water System Project

Lewis and Clark Regional Water System Project (Sections 1-7)
The bill would authorize funding for a water system project in the southwestern Minnesota counties of Nobles and Rock. The governing bodies involved would be authorized to issue up to $45 million in bonds for the project to be repaid with federal aid, state aid and local revenues. The newly created state-paid debt service aid would be based on the annual debt service payment amount less 50% of any federal aid received and an assumed local effort of 1.5% of the combined tax base of the two counties. The bill would also provide authorization of a half-cent local sales tax that may be imposed by the counties of Nobles and Rock and the city of Luverne, and an extension of the existing sales tax in Worthington, to pay for the water system project.

- Based on information from Minnesota Management and Budget, the annual debt service payment amounts are estimated to total $3.43 million.
- The estimated amount of state-paid debt service aid is estimated to be $2.2 million annually, which would increase state general fund costs beginning in fiscal year 2016. The aid would be paid annually until the year 2038 or until the bonds have been repaid, whichever is earlier.
- The participating local governments in the two counties would raise revenues locally to cover a portion of the project costs. Potential revenue sources include the local sales tax, property tax or fees. If local property taxes are increased to pay for a portion of the project, this would increase property taxes on all property classes including homesteads. The increased property tax burden would increase state-paid homeowner property tax refunds and income tax deductions, resulting in a cost to the state general fund.

Article 8: Miscellaneous

Carlton County Soil and Water Conservation District Authority (Section 5)

The proposal would authorize Carlton County to levy for a special project for the Carlton County Soil and Water Conservation District. The proceeds of any tax imposed under the county's special project levy authority must be placed in a separate account and may only be used to pay for costs of obtaining a loan to finance the planning, construction, and equipping of an office and storage facility for the district. The county's special project levy authority would expire following the final payment of any costs of the loan or if the district does not obtain a loan by May 1, 2017. The authority would become effective following local approval.

- The proposal is assumed to have no impact on 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.

Article 9: Unsession Tax Provisions

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

Article 10: Department of Revenue Property Tax 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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