

Summary of 2003 Property Tax Laws

Property Tax Division
October 2003

October 20, 2003

The Property Tax Division of the Minnesota Department of Revenue is pleased to provide this summary of the law changes relating to property taxes during the 2003 legislative session.

The purpose of the *Summary of 2003 Property Tax Laws* is to provide property tax administrators and their service organizations with an organized and condensed source of information to make them aware of the many legislative changes affecting the property tax laws this year.

It should be noted that, except for a few cases that may involve the Department of Revenue, the *Summary of 2003 Property Tax Laws* does not cover the property tax laws that specifically relate to school districts. This dimension of the property tax system is handled by the Minnesota Department of Education (formerly the Department of Children, Families and Learning). Please call (651) 582-8566 for more information regarding property taxes and school districts.

If you have suggestions for improving future editions of the property tax law summary, please contact Jacque Betz at (651) 556-6099 or jacquelyn.betz@state.mn.us.

Sincerely,

Gordon Folkman
Acting Director
Property Tax Division

Abbreviations

The following is a list of abbreviations used in this summary:

CFL	Children, Families and Learning, Department of
CREP	Conservation Reserve Enhancement Program
CRP	Conservation Reserve Program
DEED	Department of Employment and Economic Development <i>Note: This is the agency that was formed with the merger of the Department of Trade and Economic Development and the Department of Economic Security</i>
DES	Department of Economic Security <i>Note: This agency merged with the Department of Trade and Economic Development to form DEED.</i>
DOR	Department of Revenue
DTED	Department of Trade and Economic Development <i>Note: This agency merged with the Department of Economic Security to form DEED.</i>
EDA	Economic Development Authority
H.F.	House File
HACA	Homestead and Agricultural Credit Aid
LGA	Local Government Aid
LGA	Local Government Aid
NTC	Net tax capacity
RIM	Reinvest in Minnesota
S.F.	Senate File
SFIA	Sustainable Forest Incentive Program
TIF	Tax Increment Financing
TNT	Truth in Taxation

Laws Included in this Summary

Laws 2003 (Regular Session)

Subject	House File Number	Senate File Number	Chapter Number in Laws	Date Enacted
Revisor's bill	H.F. 273	/ S.F. 195	2	March 19, 2003
City of Rockford	H.F. 415	/ S.F. 512	8	April 2, 2003
Housing and EDAs authorized to create partnerships and corporations	H.F. 1143	/ S.F. 891	50	May 16, 2003
Omnibus tax bill	H.F. 1565	/ S.F. 1505	127	May 25, 2003
Omnibus agriculture, environment and jobs finance bill	H.F. 967	/ S.F. 905	128	May 28, 2003

Laws 2003, First Special Session

Subject	House File Number	Senate File Number	Chapter Number in Laws	Date Enacted
State government finance bill	S.F. 1	/ H.F. 1	1	May 28, 2003
Storage of additional spent nuclear fuel	H.F. 9	/ S.F. 21	11	May 29, 2003
Tax-Forfeited Property	H.F. 13	/ S.F. 9	13	June 12, 2003
Omnibus health and human services bill	H.F. 6	/ --	14	June 5, 2003
Omnibus transportation and public safety finance bill	H.F. 5	/ --	19	June 8, 2003
Omnibus tax bill	H.F. 7	/ --	21	June 8, 2003

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Property Assessment

Abatements

Economic Development; Limitation on Abatements Chapter 127, Article 12, Section 19

Amends M.S. 469.1813, subdivision 8

Doubles the limit on economic development abatement levies to the greater of:

- 10 percent of the jurisdictions regular levy; or
- \$200,000.

Previously, the limit was the greater of 5 percent of the jurisdiction's regular levy or \$100,000.

Effective date: May 26, 2003 (as specified in Laws 2003, First Special Session Chapter 21, Article 10, Section 11).

Economic Development; Limitation on Abatements Chapter 127, Article 10, Section 26

Amends M.S. 469.1813, subdivision 8

Provides that uncollected abatements from a prior year that are added to the current year abatement levy are not subject to the limit on economic development abatements.

Effective date: Taxes payable in 2004 and thereafter.

Economic Development; Uncollected Tax Abatement Levies Chapter 127, Article 10, Section 27

Amends M.S. 469.1815, subdivision 1

Clarifies that if a tax abatement levy for a prior year is uncollected, the political subdivision can add it to the abatement levy for the current year. This portion of the levy would not be subject to the limit on the amount of the abatement levy.

Effective date: Taxes payable in 2004 and thereafter.

General Provisions

Realigning Split Residential Parcels Chapter 127, Article 2, Section 1

Adds M.S. 123A.455

Defines a "split residential property parcel" as a parcel of real estate that is located within the boundaries of more than one school district and is classified as either:

- Class 1a residential homestead;
- Class 1b disabled homestead;
- Class 4b(1) residential nonhomestead one to three units that does not qualify for class 4bb; or
- Class 4bb(1) residential nonhomestead single unit.

Allows the owner of a split residential property parcel to petition the county auditor where the parcel is located to transfer the parcel into the boundaries of one school district.

The petition must contain:

- A correct description of the parcel, including supporting information on location and title to the property;
- All the school districts the split parcel is located in;
- The school district in which the owner desires to have the whole parcel transferred to; and
- The school district that any students residing on the property are attending.

Requires the auditor to issue an order within 60 days of receipt of the petition to transfer the affected parcel to the school district determined by the county board. The auditor must notify the affected school districts and the commissioner of education (formerly CFL) of the change in school district boundaries. The commissioner of education is to modify the records of the school district boundaries to conform to the auditor's orders.

Upon the effective date of the auditor's order, the whole parcel is transferred into one school district. The property's total value is then subject to the taxes imposed by the school district where the entire property is now located. (None of the property's value will be subject to the taxes imposed by the other school district where the parcel had been partially located.)

Effective date: Petitions filed on or after May 26, 2003. Orders issued before September 15, 2003, will be effective for taxes payable in 2004. For subsequent years, orders issued by July 1 will be effective for taxes payable in the following year.

Listing and Assessment, Time Chapter 127, Article 2, Section 10

Amends M.S. 273.01

Requires real property subject to taxation to be appraised at least every five years, instead of every four years.

Effective date: Assessment year 2004 and thereafter.

**Assessor's Duties; Appraisal Intervals
Chapter 127, Article 2, Section 11**

Amends M.S. 273.08

Requires the assessor to view and determine the market value of taxable real property at maximum intervals of five years, instead of four years.

Effective date: Taxes payable in 2005 and thereafter.

**Valuation of Income-Producing Property
SS Chapter 21, Article 4, Section 3**

Amends M.S. 273.11, subdivision 13

Repeals the reference to class 4d property (low-income rental housing), since the class was repealed for taxes payable in 2004 (class rates for 4d are the same as, 4a (regular rental housing) and 4b (residential non-homestead one to three units not qualifying for 4bb) for taxes payable 2004).

Effective date: Taxes payable 2005 and thereafter.

Special Assessments

**Collection of Costs for Repeat Housing Code Violations
SS Chapter 21, Article 11, Section 29**

Amends M.S. 429.101, subdivision 1

Authorizes municipalities to charge for the cost of housing reinspections when an order to correct a municipal housing maintenance code violation is not fulfilled. The municipality can collect the costs incurred by adding the charges as a special assessment against the property on the property tax statement.

Effective date: June 9, 2003.

Homesteads

**County Assessors; Class 1b Homesteads
Chapter 127, Article 2, Section 4**

Amends M.S. 270B.12 by adding subdivision 13

Allows the commissioner of revenue to disclose to county assessors and their designated agents or employees a listing of parcels qualifying for class 1b homesteads (disabled, blind, paraplegic veterans).

Effective date: May 26, 2003.

**Special Agricultural Homesteads
Chapter 127, Article 2, Section 12**

Amends M.S. 273.124, subdivision 14

Clarifies that to be eligible for the special agricultural homestead, an initial (full) application must be submitted to the county assessor where the property is located.

Limits the special agricultural homestead reapplication to a one-page, abbreviated form for applicants to complete in subsequent years, provided that none of the following items have changed:

- The day-to-day operation, administration, and financial risks remain the same;
- The owners and persons actively farming the property continue to live within four cities or townships and are Minnesota residents;
- The same operator of the agricultural property is listed with the farm service agency;
- A Schedule F or its equivalent income tax form was filed for the most recent year;
- The property's acreage is unchanged; and
- None of the property's acres have been enrolled in a federal or state farm program since the initial (full) application.

Owners and any persons actively farming the property also must provide the appropriate Social Security numbers, and sign and date the abbreviated reapplication every year to continue to receive the special agricultural homestead.

Further provides that if any of the specified information has changed since the initial (full) application was filed, the owner must notify the assessor, and complete a new (full) application to determine if the property continues to qualify for the special agricultural homestead. Requires the commissioner of revenue to prepare a standard reapplication form for assessors to use.

Effective date: For special agricultural homestead applications filed for the 2004 assessment (taxes payable in 2005) and thereafter.

**Certification of Class 1b Property
Chapter 127, Article 2, Section 15**

Amends M.S. 273.1315

Provides that claimants for class 1b disabled homestead are not required to file annually for the class 1b classification, provided that:

- The property is not sold;
- There is no change in occupancy; and
- There is no change in the status or condition of the occupant meeting the disability requirements.

Failure to notify the commissioner of revenue within 30 days of any change in those items results in a penalty. Previously, claimants were required to file an annual certification.

Also changes the following dates:

- Claimants must file by October 1 (instead of March 1) for this classification to be effective for property taxes payable during the following calendar year;
- The commissioner of revenue is to provide assessors with a listing of property qualifying for the class 1b classification by November 1 (instead of April 1).

Effective date: Taxes payable in 2005 and thereafter.

Exemptions

Biomass Power Facility; Exemption Chapter 127, Article 2, Section 3

Amends M.S. 216B.2424, subdivision 5

Extends the date that a new biomass generation facility must commence construction to be eligible for a property tax exemption on its personal property from December 31, 2002, to December 31, 2005.

This exemption was initially enacted by the legislature in Laws 2001, First Special Session, Chapter 5, Article 3, Section 13. It provided that the facility be located in the northern quarter of Minnesota and be designed to utilize biomass residue wood, sawdust, bark, wood chips or brush to generate electricity. The power generated would qualify to satisfy a portion of the biomass mandate imposed on Xcel Energy in the 1994 Prairie Island legislation.

Note: See next listing for another change to this subdivision.

Effective date: May 26, 2003, and thereafter.

Biomass Power Facility; Exemption SS Chapter 11, Article 2, Section 7

Amends 216B.2424, subdivision 5

Makes two changes to the statutory caps in the biomass mandate imposed on Xcel Energy in the 1994 Prairie Island legislation:

- Increases the limitation for the maximum megawatts that may be provided by a facility that uses poultry litter as its primary fuel source to 55 megawatts. Previously, it was limited to 50 megawatts.
- Increases the limitation for the maximum megawatts that may be provided by a St. Paul district heating and cooling system cogeneration facility utilizing waste wood as a primary fuel source to 33 megawatts. Previously, this it was limited to 25 megawatts.

Note: See previous listing for another change to this subdivision.

Effective date: May 30, 2003.

Ice Arenas; Baseball Parks; Exemption SS Chapter 21, Article 4, Section 1

Amends M.S. 272.02, subdivision 25

Provides a real property tax exemption for baseball parks that are:

- Owned and operated by a private, non-profit charitable organization; and
- Used by amateur baseball players.

Previously, this subdivision only provided a real and personal property tax exemption for ice arenas that are owned by a private, non-profit charitable organization and used primarily for youth and high school programs.

Effective date: Taxes payable in 2004 and thereafter.

Business Incubator Property; Exemption Chapter 127, Article 2, Section 5

Amends M.S. 272.02, subdivision 31

Extends the property tax exemption for business incubator property through taxes payable in 2011. Previously, it was scheduled to expire after taxes payable in 2005.

Effective date: None specified so August 1, 2003.

Poultry Litter Biomass Generation Facility; Personal Property Exemption Chapter 127, Article 2, Section 6

Amends M.S. 272.02, subdivision 47

Extends the construction date by which a poultry litter biomass generation facility was to commence construction to be eligible for a property tax exemption on its personal property. Provides that the construction of the facility must be commenced by December 31, 2003.

This exemption was initially granted by the legislature in Laws 2001, First Special Session Chapter 5, Article 3, Section 18, provided that the facility be designed to use poultry litter as a primary fuel source, and it be constructed for the purpose of generating power at a facility that is sold under contract approved by the PUC that meets the biomass mandate (M.S. 216B.2424).

Effective date: Taxes payable in 2005 and thereafter.

**Electric Generation Facility; Personal Property Exemption
Chapter 127, Article 2, Section 7**

Amends M.S. 272.02, subdivision 53

Extends the time by one year for a 3.2 megawatt run-of-the-river hydroelectric generation facility to qualify for a property tax exemption on its attached machinery and other personal property. Provides that construction of the facility must commence by January 1, 2005.

This exemption was initially created by the legislature in Laws 2002, Chapter 377, Article 4, Section 9, providing that construction of the facility commence by January 1, 2004.

Effective date: None specified so August 1, 2003.

**Electric Generation Facility; Personal Property Exemption
Chapter 127, Article 2, Section 8**

Amends M.S. 272.02 by adding subdivision 56

Exempts attached machinery and other personal property that is part of a combined-cycle combustion-turbine electric generation facility that exceeds 550 megawatts of installed capacity.

Limits the exemption to property of a facility that, at the time of construction, must:

- Be designed to utilize natural gas as a primary fuel;
- Not be owned by a public utility;
- Be located within five miles of an existing natural gas pipeline and within four miles of an existing electrical transmission substation;
- Be located outside the seven county metropolitan area; and
- Be designed to provide energy and ancillary services and has received a certificate of need under M.S. 216B.243.

In order to be eligible for exemption, construction of the facility must be commenced after January 1, 2004, and before January 1, 2007. This exemption does not include

electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Effective date: Taxes payable in 2006 and thereafter.

**Comprehensive Health Association; Exemption
Chapter 127, Article 5, Section 3**

Amends M.S. 272.02 by adding subdivision 57

Adds a cross-reference to M.S. 62E.10, subdivision 1, which exempts from property tax all property owned by the Comprehensive Health Association.

Effective date: May 26, 2003, and thereafter.

**Private Cemeteries; Exemption
Chapter 127, Article 5, Section 4**

Amends M.S. 272.02 by adding subdivision 58

Adds a cross-reference to M.S. 307.09, which exempts from property tax the property of some private cemeteries.

M.S. 307.09 provides for the exemption of lands dedicated as a private cemetery up to:

- 100 acres; or
- 300 acres (in the case of cemeteries owned and managed by religious corporations, or corporations solely owned and controlled by and in the interest of any religious denomination).

Cemetery property owned or leased by any corporation, association, partnership, proprietorship or any other organization also is exempt from any special assessments if it:

- Was formed for a purpose not involving financial gain to its shareholders or members; and
- Pays no dividends or other compensation directly or indirectly to its shareholders or members.

Effective date: May 26, 2003.

**Western Lake Superior Sanitary Board; Exemption
Chapter 127, Article 5, Section 5**

Amends M.S. 272.02 by adding subdivision 59

Adds a cross-reference to M.S. 458D.23, which exempts property that is owned, leased, controlled, used or occupied by the Western Lake Superior Sanitary Board for public, governmental and municipal purposes from property tax.

Effective date: May 26, 2003, and thereafter.

**Unfinished Sale or Rental Projects; Exemption
Chapter 127, Article 5, Section 6**

Amends M.S. 272.02 by adding subdivision 60

Adds a cross-reference to M.S. 469.155, subdivision 17, which exempts from property tax certain unfinished sale or rental projects.

M.S. 469.155, subdivision 17, provides that if a building is to be constructed for sale or rent to a contracting party, the building is exempt from property taxation as public property exclusively used for a public purpose until the building is either:

- First conveyed; or
- First occupied by the lessee.

This exemption is granted for up to a maximum of four years from the date of issue of bonds or notes for the project. The exemption must be applied for before October 10 of the year of the levy of the first taxes to which the exemption applies.

Effective date: May 26, 2003, and thereafter.

**Skyways; Exemption
Chapter 127, Article 5, Section 7**

Amends M.S. 272.02 by adding subdivision 61

Adds a cross-reference to M.S. 469.127, which exempts from property tax the pedestrian skyway system, underground pedestrian concourse, people mover system and publicly owned parking structures.

Effective date: May 26, 2003, and thereafter.

**Municipal Recreation Facilities; Exemption
Chapter 127, Article 5, Section 8**

Amends M.S. 272.02 by adding subdivision 62

Adds a cross-reference to M.S. 471.191, subdivision 4, which exempts from property tax property that is acquired and used by a city for municipal recreation facilities.

Effective date: May 26, 2003, and thereafter.

**Water and Wastewater Treatment Facilities;
Exemption
Chapter 127, Article 5, Section 9**

Amends M.S. 272.02 by adding subdivision 63

Adds a cross-reference to M.S. 471A.05, which exempts from property tax the related facilities owned by water and wastewater treatment providers who have contracted with a

municipality to provide capital-intensive public services to the municipality.

Effective date: May 26, 2003, and thereafter.

**Job Opportunity Building Zone Property; Exemption
SS Chapter 21, Article 1, Section 1**

Amends M.S. 272.02 by adding subdivision 64

Provides that improvements to real and personal property of a qualified business classified as class 3a (commercial, industrial and public utility property) or class 3b (employment property) located in a designated job opportunity building zone are exempt from property taxes. Also provides that improvements to real and personal property of an agricultural production facility located within a designated agricultural processing facility zone are exempt from property tax.

The exemption does not apply to:

- Debt service levies for general obligation bonds under M.S. 475.61 or similar levy provisions under any other law to pay general obligation bonds; or
- School district operating referenda under M.S. 126C.17 if the levy was approved by the voters before designation of the job opportunity building zone.

The exemption applies beginning with the first assessment year after designation as a job opportunity zone by the commissioner of DEED (formerly DTED). The exemption applies to each assessment year during the duration of the zone, and to property occupied by a qualified business by July 1 of the assessment year.

Note: See page 45 for more information on Job Opportunity Building Zones.

Effective date: Taxes payable in 2005 and thereafter.

**Biotechnology and Health Science Industry Zone
Property; Exemption
SS Chapter 21, Article 2, Section 2**

Amends M.S. 272.02 by adding subdivision 65

Provides that improvements to real and personal property of a qualified business classified as class 3a (commercial, industrial and public utility property) or class 3b (employment property) located within a biotechnology and health sciences industry zone are exempt from property tax.

The exemption does not apply to:

- Debt service levies for general obligation bonds under M.S. 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

- School district operating referenda under 126C.17 if the levy was approved by the voters before designation of the job opportunity building zone.

The exemption applies beginning with the first assessment year after designation as a biotechnology and health sciences industry zone by the commissioner of DEED (formerly DTED) and lasts for each assessment year that begins during the duration of the zone. The exemption does not apply to taxes imposed by a city, town or county unless the government unit adopts a resolution granting a complete or partial exemption.

Note: See page 47 for more information on Biotechnology and Health Science Zones.

Effective date: Taxes payable in 2005.

Elderly Living Facility; Exemption SS Chapter 21, Article 4, Section 2

Amends M.S. 272.02 by adding subdivision 66

Provides a property tax exemption for an elderly living facility if it meets all of the following requirements:

- The facility is located in a first class city with a population over 350,000;
- The facility is owned and operated by a non-profit corporation organized under the Minnesota Non-Profit Corporation Act (M.S. 317A);
- Construction of the facility commenced after January 1, 2002, and before June 1, 2003;
- The facility consists of two buildings that are connected to a church that is exempt from taxation;
- Land for the facility was donated to the non-profit corporation by the church to which the facility is connected;
- Residents of the facility must be at least 62 years of age or handicapped;
- The facility operates an on-site congregate dining program which residents are required to use;
- The facility provides assisted living or similar social and physical support services for residents;
- At least 30 percent of the units in the facility are occupied by persons whose annual income does not exceed 50 percent of median family income for the area.

Provides that qualifying property is exempt from property tax for the term of the facility's initial permanent financing or 25 years, whichever is later.

Effective date: June 9, 2003, and thereafter.

Electric Generation Facility; Personal Property Exemption Chapter 127, Article 2, Section 9

Amends M.S. 272.02 by adding subdivision 67

Exempts attached machinery and other personal property that is part of a combined-cycle combustion-turbine electric generation facility that exceeds 150 megawatts of installed capacity.

Limits the exemption to property of a facility that, at the time of construction, must:

- Utilize natural gas as a primary fuel;
- Be owned by an electric generation and transmission cooperative;
- Be located within ten miles of parallel existing 24-inch and 30-inch natural gas pipelines and a 345-kilovolt high-voltage electric transmission line;
- Be designed to provide intermediate energy and ancillary services, and has received a certificate of need under M.S. 216B.243 demonstrating demand for its capacity; and
- Have received local approval for this exemption from the county and city in which the site is located.

In order to be eligible for this exemption, construction of the facility must be commenced after January 1, 2004, and before January 1, 2009. This exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Further provides that the exemption will take effect only if the owner of the facility enters into agreements with the governing bodies of the county and the city where the facility is located. The agreements may include a requirement that the facility must pay a host fee to compensate the county and the city for hosting the facility.

Effective date: Taxes payable in 2006 and thereafter.

Wind Energy Production Tax Exemption SS Chapter 21, Article 1, Section 2

Amends M.S. 272.029 by adding subdivision 7

Provides that electricity produced by wind energy conversion systems located in a job opportunity building zone is not subject to the wind energy production tax, which is imposed in lieu of a property tax.

The exemption to the wind energy production tax applies the first calendar year after designation of the job opportunity building zone and applies to each calendar year that begins during the designation of the zone.

Effective date: June 9, 2003, and thereafter.

Central Lakes Region Sanitary District; Exemption Chapter 127, Article 9, Section 21

Does not amend, add to or repeal existing Minnesota Statutes or Laws

Exempts real and personal property that is owned, leased, controlled or occupied by the sanitary sewer board from state and local property taxes, but not special assessments as the property is deemed to be acquired owned, leased, controlled, used and occupied for public, governmental, and municipal purposes.

Effective date: The day following local approval of the district by the fourth township (Brandon, Carlos, La Grand, Leaf Valley, Miltona, and Moe, all in Douglas County).

Property Classification

Class 1: Residential Property

Class 1b, Homestead

Chapter 127, Article 2, Section 13

Amends M.S. 273.13, subdivision 22

Changes the requirements to qualify for the class 1b blind/paraplegic veteran/disabled homestead by removing the income requirements for people who are permanently and totally disabled.

Also changes the agency that certifies to the county assessor that the person who is blind meets the requirements specified from DES to DOR.

Effective date: Taxes payable in 2005 and thereafter.

Class 1c, Homestead Resorts

Chapter 127, Article 2, Section 13

Amends M.S. 273.13, subdivision 22

Allows the owner of homestead resort property classified as class 1c homestead resorts (also known as "Ma and Pa" resorts) to be a limited liability company (LLC) or a member of a LLC.

To qualify for the class 1c homestead resort classification, the resort may be:

- Occupied as a homestead by an owner as a sole proprietor;
- Homesteaded by a shareholder of a corporation that owns the resort;
- Homesteaded by a partner in a partnership that owns the resort; or
- Homesteaded by a LLC or a member of a LLC.

Effective date: Taxes payable in 2004 and thereafter.

Class 2: Ag and Timber Property

Class 2 Agricultural Property

Chapter 127, Article 2, Section 14

Amends M.S. 273.13, subdivision 23

Provides that land enrolled in RIM, CRP or CREP only receives agricultural classification if it was classified as agricultural for assessment year 2002 or in the year prior to its enrollment in the conservation program.

Effective date: Taxes payable in 2004 and thereafter.

Class 2 Agricultural Property

Chapter 128, Article 3, Section 45

Amends M.S. 273.13, subdivision 23

Removes a cross-reference to the definition of nursery stock contained in M.S. 18.44 to 18.61 because these statutes (Minnesota Plant Pest Act) were repealed in Laws 2003, Chapter 128, Article 7, Section 1.

Effective date: None specified so August 1, 2003.

Class 4: Rental and Seasonal Property

Class 4c(1) Seasonal Residential Recreational

References

Chapter 127, Article 5, Sections 15-17, 24-26, 31 and 32

Amends M.S. 273.11, subdivision 1a; 273.124, subdivision 1; 273.13, subdivision 25; 275.025, subdivisions 1, 3 and 4; 279.06, subdivision 1; and 281.17

Changes incorrect and inconsistent references to this type of property in several statutes. The correct terminology for this type of property, which includes cabins and resorts, is "seasonal residential recreational."

Effective date: May 26, 2003, and thereafter.

Class 4d: Low Income Rental Housing

SS Chapter 21, Article 4, Section 4

Amends M.S. 273.13, subdivision 25

Repeals the reference and class rates to class 4d low-income rental housing, since the class was repealed for taxes payable 2004 (class rates for 4d are the same as 4a (regular rental housing) and 4b (residential non-homestead one to three units not qualifying for 4bb) for taxes payable 2004). This also repeals the provision that the market value be determined using normal, unrestricted rents.

Effective date: Taxes payable 2005 and thereafter.

Class Rate Table

Property Tax Class	Tax Rate Pay 2003	Tax Rate Pay 2004	Subject To State Levy?
Residential Homestead (1a) & Migrant Housing (1d)			No
Up to \$500,000	1.00%	1.00%	
Over \$500,000	1.25	1.25	
Disabled homestead up to \$32,000 (1b)	0.45	0.45	
Residential Non-Homestead			No
Single unit (4bb):			
Up to \$500,000	1.00	1.00	
Over \$500,000	1.25	1.25	
1-3 units, undeveloped residential land, and unclassified manufactured homes (all 4b)	1.25	1.25	
Apartments			
Regular 4+ units (4a), including for profit hospitals	1.50 ¹	1.25	
Low-income rental housing (4d)	1.00	NA ²	
Commercial-Industrial-Public Utility (3a)			Yes
Up to \$150,000	1.50	1.50	
Over \$150,000	2.00	2.00	
Other public utility machinery	2.00	2.00	
Electric generating machinery	2.00	2.00	No
Employment Property (3b)			Yes
Up to \$150,000	1.50	1.50	
Over \$150,000	2.00	2.00	
Commercial SRR - Homestead Resorts (1c)	1.00	1.00	No
Commercial SRR - Seasonal Resorts (4c(1))			Yes ³
Up to \$500,000	1.00	1.00	
Over \$500,000	1.25	1.25	
Non-Commercial SRR - Cabins (4c(1))			Yes ³
Up to \$500,000	1.00	1.00	
Over \$500,000	1.25	1.25	
Qualifying Golf Courses (4c(2))	1.25	1.25	No
Nonprofit Community Service Oriented Organization (4c(3))	1.50	1.50	
Post Secondary Student Housing (4c(4))	1.00	1.00	
Manufactured Home Parks (4c(5))	1.25	1.25	
Qualifying Metro Nonprofit Recreational Property (4c(6))	1.25	1.25	
Certain Non-commercial Aircraft Storage Hangars (4c(7))	1.50	1.50	
Bed and Breakfast - up to 5 units (4c(8))	1.25	1.25	
Agricultural Homestead (2a)			
House, Garage and One Acre			
Up to \$500,000	1.00	1.00	
Over \$500,000	1.25	1.25	
Land and Buildings			
Up to \$600,000	0.55	0.55	
Over \$600,000	1.00	1.00	
Agricultural Non-Homestead and Timberland (2b)	1.00	1.00	
Miscellaneous and Iron Ore Property (5)	2.00	2.00	Only for iron ore

¹ For class 4a (regular rental housing) if the building is constructed after June 30, 2001, then the class rate is 1.25% for payable 2003.

² For taxes payable in 2004, class 4d (low-income rental housing) was repealed (class rates for 4d are the same as class 4a (regular rental housing) and class 4b (residential non-homestead one to four units not qualifying for 4bb)).

³ For the purposes of the state general tax only, the tax rate for the first \$76,000 of non-commercial class 4c(1) seasonal residential recreational property is 0.40 percent.

Property Tax Levies

Overall Levy Limitations

Special Levies

SS Chapter 21, Article 7, Section 1

Amends M.S. 275.70, subdivision 5

- Provides that counties that impose a special levy for the purpose of paying the operating or maintenance costs of a county jail, need not adjust their levy limit base for operating or maintenance costs of a new regional jail facility that is in addition to, rather than substituting for, existing facilities.
- Eliminates a reference to an obsolete special levy for the cost of redistricting election districts in 2002.
- Adjusts the special levy for court administration costs to reflect changes in the calculation of temporary aid for court costs.

Note: See change to M.S. 273.1398, subdivision 4a on page 27 for changes in the calculation of temporary aid for court costs.

Effective date: Taxes payable in 2004 and thereafter.

Levy Limit Base

SS Chapter 21, Article 7, Section 2

Amends M.S. 275.71, subdivision 2

Defines the "levy limit base" for a local government unit for taxes payable in 2004 as:

- Its adjusted levy limit base for payable 2003, (subject to any adjustments for consolidation and annexation);
- Plus attached machinery aid and manufactured home HACA amounts received in 2003;
- Minus the difference between its Levy limit for taxes payable in 2003 and the amount it actually levied for payable 2003;
- Minus its certified property tax replacement aid payable in 2003.

Effective date: Taxes payable in 2004.

Adjusted Levy Limit Base

SS Chapter 21, Article 7, Section 3

Amends M.S. 275.71, subdivision 4

Eliminates the following growth factors for calculating the adjusted levy limit base for taxes payable in 2003:

- One plus a percentage equal to the percentage growth in the implicit price deflator;
- One plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and
- One plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3a (commercial, industrial and public utility) and class 3b (employment) property, as defined in M.S. 273.13, subdivision 24, except for state-assessed utility and railroad operating property, for the most recent year for which data is available.

To allow for a levy back of 60 percent of the 2004 aid reductions, the levy limit base is reduced by 40 percent of the difference between the sum of:

- 2003 certified aid amounts before reductions; and
- 2004 certified aid amounts after reductions.

For taxes payable in 2004 only, the adjusted levy limit base is increased by 60 percent of the 2004 market value credit reduction, allowing for the levy back of 60 percent of the amount of market value credit reductions.

Effective date: Taxes payable in 2004.

Property Tax Levy Limit

SS Chapter 21, Article 7, Section 4

Amends M.S. 275.71, subdivision 5

Removes the charter exception language limiting taxes to a lesser amount or requiring a separate voter approval for any increase. Updates some cross-references. Also eliminates the offset for existing and new construction low income housing aids and property tax replacement aids. Provides for the offset of temporary court aid and wind energy production tax (adjusted for any error in estimation in the preceding year).

For taxes payable in 2004, the property tax levy limit for a local government unit is equal to its adjusted levy limit base plus any voter-approved levies against NTC, reduced by the sum of:

- LGA (except for the increases in city aid bases in calendar year 2002);
- County program aid;
- Taconite aids;
- Temporary court aid; and

- Estimated wind energy production tax payments (adjusted for errors in estimation in the preceding year).

Note: See next listing for another change to this subdivision.

Effective date: Taxes payable in 2004.

Property Tax Levy Limit
SS Chapter 19, Article 2, Section 47

Amends M.S. 275.71, subdivision 5

Eliminates the reference to property tax replacement aid, which was repealed by Laws 2003, First Special Session Chapter 19, Article 2, Section 79.

Note: See previous listing for another change to this subdivision.

Effective date: June 9, 2003.

Levies in Excess of Levy Limits
SS Chapter 21, Article 7, Section 5

Amends M.S. 275.71, subdivision 6

Eliminates an obsolete provision related to errors in calculating a special levy for jails affecting taxes payable in 2003 only.

Effective date: Taxes payable in 2004.

Adjustments for Changes in Service Levels
SS Chapter 21, Article 7, Section 6

Amends M.S. 275.72, subdivision 3

Allows for levy limit adjustments for local governmental units as a result of annexation agreements when there are different tax rates in various parts of the jurisdiction due to different service levels. Previously, this was limited to annexation agreements entered into before January 1, 1999. The jurisdiction may petition the commissioner of revenue to adjust its levy limits. The commissioner adjusts the levy limits to reflect scheduled changes in tax rates related to increasing service levels in areas currently receiving less city services.

Effective date: Taxes payable in 2004.

Levy Effective Date
SS Chapter 21, Article 7, Section 7

Amends M.S. 275.73, subdivision 2

Provides that a referendum to exceed levy limits can be held up to or on the date of the November general election and be levied beginning in that same levy year. Previously, it had to be held prior to September 1 in order to be levied beginning in the same levy year.

Effective date: Taxes payable in 2004.

Information Necessary to Calculate Levy Limit Base
SS Chapter 21, Article 7, Section 8

Amends M.S. 275.74, subdivision 3

Requires that a local governmental unit provide the commissioner of revenue with the information required to calculate the levy limit base amount by July 20 of the levy year. If the information is not received on time or is insufficient to make the calculation, it provides that the commissioner of revenue may limit the levy for all purposes (including special levies) to the same amount as the prior year's levy.

Effective date: Taxes payable in 2004.

General Provisions

Local Pest Control
Chapter 128, Article 4, Section 12

Adds M.S. 18G.13

Authorizes political subdivisions to establish and fund their own pest control programs. Provides that the governing body may levy a property tax in the subdivision to pay for these activities. Also provides that the governing body may issue certificates of indebtedness in advance of the collection and payment of the tax. The total amount of the certificates including principal and interest, must not exceed 90 percent of the levy amount and must be payable from the proceeds of the levy no more than two years from the date of issuance.

The pest control activities (in public and private places) are charged to the owner and may be collected as a special assessment against the property. Defines "private places" as every place except a private home.

Effective date: None specified so August 1, 2003.

Charter Exemption for Aid Loss
Chapter 127, Article 2, Section 17

Adds M.S. 275.75

Allows a municipality to pass a resolution to increase its levy by an amount equal to the reduction in city LGA. The increased levy may not exceed the levy amount allowed under state law.

Note: See page 34 for information on reductions to LGA.

Effective date: Taxes payable in 2004 and 2005 only.

Statewide Public Safety Radio Levy SS Chapter 21, Article 4, Section 11

Amends Laws 2003 First Special Session Chapter 1, Article 2, Section 118, Subdivision 6

Eliminates the authority given to the commissioner of public safety in M.S. 473.902 to certify a levy to the county auditor if local governments fail to meet payment requirements for certain public safety radio system costs.

Effective date: June 9, 2003.

City Levies

City Exercise of County Nursing Home Powers Chapter 127, Article 12, Section 13

Amends M.S. 376.55 by adding subdivision 7

Allows the county board of any county that has not established a nursing home to authorize a statutory or home rule charter city within the county to exercise the powers of a county under the county nursing home law (M.S. 376.55 to 376.60). A city so designated may exercise within its boundaries all the powers of a county under these statutes, including the power to impose a property tax levy to:

- Pay the net costs of maintenance and operation of the nursing home after taking into consideration payments received for care of residents;
- Repay the cost of acquiring, establishing, equipping, furnishing, enlarging, or adding to a county nursing home; and
- Pay the principal of and interest on general obligation bonds issued for that purpose.

Effective date: May 26, 2003 (as specified in Laws 2003, First Special Session Chapter 23, Article 10 Section 11).

Tax Levy Authorized; City of Moorhead Chapter 127, Article 10, Section 30

Amends Laws 2002, Chapter 377, Article 11, Section 1

Changes the expiration date for the 2002 special law allowing the city of Moorhead to impose a special levy on all class 3a (commercial, industrial and public utility) and class 3b (employment) property to pay for a TIF district deficit caused by the 2001 property tax reform. Previously, this law was set to expire December 31, 2005, and now, the expiration is delayed until December 31, 2010. Also limits the use of increments and the collections from this levy to pay pre-existing obligations and administrative expenses.

Effective date: Upon local approval by the city of Moorhead.

Special Taxing District Levies

Special Taxing Districts; Definition SS Chapter 21, Article 4, Section 7

Amends M.S. 275.066

Adds Southern St. Louis County Special Taxing District: Chris Jenson Nursing Home to the list of special taxing districts.

Note: See page 15 for levy information on the Southern St. Louis County Special Taxing District: Chris Jenson Nursing Home.

Effective date: None specified so August 1, 2003.

Koochiching County; Port Authority Chapter 127, Article 12, Section 18

Adds M.S. 469.0772

Authorizes the Koochiching county board to establish a port authority and provides that any city in the county may participate under terms mutually agreed upon by the county and the city.

Effective date: May 26, 2003 (as specified in Laws 2003, First Special Session Chapter 23, Article 10 Section 11).

Metropolitan Council; Definition of Metropolitan Area or Area Chapter 8, Section 1

Amends M.S. 473.121, subdivision 2

Removes the city of Rockford from the jurisdiction of the metropolitan council. "Metropolitan area" or "area" is now defined as the counties of Anoka, Carver, Dakota excluding the city of Northfield, Hennepin excluding the cities of Hanover and Rockford, Ramsey, Scott excluding the city of New Prague, and Washington.

Effective date: None specified so August 1, 2003.

Metropolitan Council; Highway Right-of-Way Levy SS Chapter 21, Article 4, Section 8

Amends M.S. 473.167, subdivision 3

Sets the limit for the metropolitan council's right-of-way levy at \$2,828,379 for taxes payable in 2004 and 2005. The levy limit for taxes payable 2006 and thereafter increases by the implicit price deflator for government expenditures and gross investment for state and local governments calculated by the U.S. Department of Commerce.

Effective date: June 9, 2003, and applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

**Metropolitan Council; General Levy
SS Chapter 21, Article 4, Section 9**

Amends M.S. 473.249, subdivision 1

Sets the limit for the metropolitan council's general levy at \$10,522,329 for taxes payable in 2004 and 2005. The levy limit for taxes payable 2006 and thereafter increases by the implicit price deflator for government expenditures and gross investment for state and local governments calculated by the U.S. Department of Commerce.

Effective date: June 9, 2003, and applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

**Metropolitan Council; Livable Communities Levy
SS Chapter 21, Article 4, Section 10**

Amends M.S. 473.253, subdivision 1

Sets the limit for the metropolitan council's livable communities levy at \$8,259,070 for taxes payable in 2004 and 2005. The levy limit for taxes payable 2006 and thereafter increases by the implicit price deflator for government expenditures and gross investment for state and local governments calculated by the U.S. Department of Commerce.

Effective date: June 9, 2003, and applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

**Metropolitan Council; Bonding for Transit
Chapter 127, Article 12, Section 20**

Amends M.S. 473.39, by adding subdivision 1j

Provides that, after July 1, 2003, the council may issue certificates of indebtedness, bonds, or other obligations in an amount not exceeding \$45 million for:

- Capital expenditures as prescribed in the council's regional transit master plan and transit capital improvement program; and
- Related costs, including the costs of issuance and sale of the obligations.

Effective date: May 26, 2003 (as specified in Laws 2003, First Special Session Chapter 23, Article 10 Section 11), and applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

**Mosquito Control District; Area
Chapter 127, Article 13, Section 2**

Amends 473.702

Expands the area of the mosquito control district to include all of Carver County. Also modifies the boundaries to exclude the city of Rockford per Laws 2003, Chapter 8, Section 1.

Note: See change to M.S. 473.121, subdivision 2 on page 12 for the law change excluding the city of Rockford.

Effective Date: May 26, 2003.

**Mosquito Control District; Tax Levy
Chapter 127, Article 13, Section 6**

Amends M.S. 473.711, subdivision 2a

Laws 2003, Chapter 127, Article 13, Section 2 expanded the mosquito control district to include all of Carver County. This clarifies that the area subject to the levy also will be expanded to include all of Carver County. Also excludes the city of Rockford per Laws 2003, Chapter 8, Section 1.

Note: See change to M.S. 473.702 on this page which expanded the district to include all of Carver County. See change to M.S. 473.121, subdivision 2 on page 12 for the law change excluding the city of Rockford.

Effective date: Taxes payable in 2004 and thereafter.

**Mosquito Control District; Transitional Authority
Chapter 127, Article 13, Section 8**

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides for the metropolitan mosquito control district and the Carver County board of commissioners to enter into an agreement for the district to provide its services to the part of Carver County added to the district by Laws 2003, Chapter 127, Article 13, Section 2 until the proceeds of the levy from that part of Carver County are available for those services. During this period the services may be provided on the terms and for fees that are mutually agreed to by the parties.

Note: See change to M.S. 473.702 on this page which expanded the boundaries of the mosquito control district to include all of Carver County.

Effective date: May 26, 2003.

**Cook County Hospital District; Operation of District
Chapter 127, Article 2, Section 21**

Amends Laws 1989, Chapter 211, Section 8, subdivision 2, as amended by Laws 2002, Chapter 390, Section 24

Provides that the Cook County hospital district is a municipal corporation and political subdivision of the state.

Note: See next listing for Cook County hospital levy limits.

Effective date: After local approval.

**Cook County Hospital District; Tax Levy
Chapter 127, Article 2, Section 22**

Amends Laws 1989, Chapter 211, Section 8, subdivision 4, as amended by Laws 2002, Chapter 390, Section 24

An uncodified law that provides that the maximum levy limit for the Cook County hospital district of \$300,000 is adjusted beginning in 2003, payable 2004. The levy has been limited to \$300,000 since 1989. For taxes levied in 2003 (payable 2004) and thereafter, the levy limit is determined by multiplying the previous year's levy limit by the lesser of:

- 103 percent; or
- The ratio of the most recent annual medical care expenditure category of the revised Consumer Price Index, U.S. citywide average for all urban consumers prepared by the U.S. Department of Labor to the same annual index for the previous year.

Note: See previous listing for another change affecting the Cook County hospital district.

Effective date: After local approval.

**Central Lakes Region Sanitary District
Chapter 127, Article 9, Sections 1-23**

Does not amend, add to or repeal existing Minnesota Statutes or Laws

Uncodified provisions that establish the Central Lakes Region Sanitary District in Douglas County having jurisdiction of sanitary sewer facilities and service within the Douglas County townships of Carlos, Brandon, La Grand, Leaf Valley, Miltona and Moe. Provides for payment of costs of administration, operation, maintenance, debt service and acquisition and betterment costs by monthly or periodic billings to the users or by charging to the local governments. Permits the local governments to levy property taxes in the district for payment of charges. Provides that the board may levy special assessments to pay for acquisition or betterment costs.

Exempts real and personal property that is owned, leased, controlled or occupied by the sanitary sewer board from state and local property taxes, but not special assessments as the property is deemed to be acquired, owned, leased, controlled, used and occupied for public, governmental, and municipal purposes.

Effective date: The day following local approval by the fourth township.

**Kandiyohi County and City of Willmar Economic
Development Authority
Chapter 127, Article 12, Section 30**

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that allows Kandiyohi County to form a county EDA with the same powers as a city EDA. Also allows for Kandiyohi County and the city of Willmar to enter into a joint powers agreement to jointly or cooperatively exercise any of the powers both possess under EDA statutes (M.S. 469.090 to 469.107), including the power to levy property taxes for the benefit of the EDA up to the established EDA levy limit of 0.01813 percent of taxable market value.

Effective date: May 26, 2003.

**Lakes Area Economic Development Authority;
Members Must Levy Taxes for Authority
Chapter 127, Article 12, Section 38**

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that, at the request of the EDA, requires member municipalities (cities of Alexandria and Garfield; the townships of Alexandria and La Grand in Douglas County; and any other municipality, included within the jurisdiction of the authority) to levy a tax for the benefit of the EDA. Each member's share is determined using a pro rata portion of the total amount of tax requested based upon the taxable market value within each member's jurisdiction, but not to exceed 0.01813 percent of taxable market value.

The treasurer of each member city and town is required to pay to the treasurer of the EDA the amount collected for this purpose within 15 days after receiving the property tax settlements from the county treasurer.

Note: See next listing for additional information on the Lakes Area Economic Development Authority.

Effective date: Upon local approval by the last of the members.

**Lakes Area Economic Development Authority;
Addition and Withdrawal of Members
Chapter 127, Article 12, Section 39**

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that allows municipalities within Douglas County to petition the authority to join after adopting a resolution by a four-fifths vote of all of its governing body.

Also allows a municipality to withdraw from the EDA by resolution of its governing body. Provides that the municipality must notify the board of commissioners of the EDA at least two years in advance of the proposed withdrawal. Unless the EDA and the withdrawing member agree otherwise, the taxable property of the withdrawing member is subject to the property tax levy for the EDA for two taxes payable years following the notification to withdraw. The withdrawing member retains any rights, obligations, and liabilities obtained or incurred during its participation.

Note: See previous listing for additional information on the Lakes Area Economic Development Authority.

Effective date: Upon local approval by the last of the members.

**Southern St. Louis County Special Taxing District;
Chris Jensen Nursing Home
SS Chapter 21, Article 4, Section 12**

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that establishes the Southern St. Louis County Special Taxing District for the purposes of the Chris Jensen Nursing Home. The district comprises the cities of Duluth, Proctor, Hermantown, Bookston, Floodwood and Meadowlands, and several townships in the southern part of the county. The district is established to operate, maintain and improve the Chris Jensen Nursing Home.

Provides that the district is a political subdivision and special taxing district. The maximum allowable levy for this special taxing district should not exceed 1.90 percent of the taxable tax capacity of the district in the first year and 1.33 percent of the taxable tax capacity of the district in subsequent years.

Effective date: Upon local approval. If effective before September 1, 2003, the first levy is the payable 2004 levy; if effective between September 1, 2003, and September 1, 2004, the first levy is the payable 2005 levy; if effective

after August 31, 2004, the first levy is the payable 2006 levy.

State General Levy

**State General Tax; Levy Amount
Chapter 127, Article 5, Section 24**

Amends M.S. 275.025, subdivision 1

Clarifies that the state general levy amount stated in the statute (\$592,000,000) is the base amount to be used in adjusting the levy annually for inflation.

Note: See next listing for another change to this subdivision.

Effective date: Taxes payable in 2004 and thereafter.

**State General Tax; Levy Amount
SS Chapter 21, Article 4, Section 5**

Amends M.S. 275.025, subdivision 1

Eliminates the education reserve account in the general fund. The increase in the state general levy over the fiscal year 2003 receipts was to be placed in the education reserve account beginning in fiscal year 2004. The education reserve account was to be appropriated by law for education aid or higher education funding.

Also provides that the commissioner of revenue increase or decrease the preliminary or final state general tax rate to account for errors and tax base changes that affected a preliminary or final rate in either of the two prior years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified. Adjustments may only be made for the following reasons:

- An erroneous report of a taxable value by a local official;
- An erroneous calculation by the commissioner of revenue; or
- An increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists but not reported on the abstracts of assessment for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

Note: See previous listing for another change to this subdivision.

Effective date: June 30, 2003, and thereafter.

**Apportionment and Levy of State General Tax;
Certification of Preliminary and Final Rates
Chapter 127, Article 5, Section 26**

Amends M.S. 275.025, subdivision 4

Requires the commissioner of revenue to certify a preliminary rate for the state general property tax levy on or before October 1 for use in the TNT process, and extends the deadline for certifying the final rate from November 1 to January 1. The November 1 deadline for the final rate is too early because some of the necessary data typically is not available at that time.

Effective date: Taxes payable in 2004 and thereafter.

Tax Increment Financing and Fiscal Disparities

TIF: General Provisions

Contamination Cleanup Development Grants; Local Match Requirement

Chapter 2, Article 1, Section 15

Amends 116J.556

Eliminates a reference to M.S. 273.1399, which was repealed in 2001. This statute requires that the municipality provide a local match of 25 percent to qualify for contamination cleanup grants.

Effective date: None specified so August 1, 2003.

Housing and Redevelopment Authority; Schedule of Powers

Chapter 50, Section 1

Amends 469.012, subdivision 1

Provides that a housing and redevelopment authority may form limited partnerships, limited liability companies, or corporations for the purpose of developing, constructing, rehabilitating, managing, supporting or preserving housing and housing development projects including low-income housing tax credit projects. Grants these entities the same powers as a housing and redevelopment authority.

Effective date: May 17, 2003.

Additional Border City Allocations

SS Chapter 21, Article 10, Section 1

Amends M.S. 469.169, by adding subdivision 16

Allocates an additional \$1.5 million for tax reductions to border city development zones under M.S. 469.1732 or 469.1734 and to border city enterprise zones under M.S. 469.171 in cities located on the western border of the state. The allocation is to be made on a per capita basis among the qualifying western border cities of Breckenridge, Dilworth, East Grand Forks, Moorhead and Ortonville. \$750,000 is allocated for each program, but the city may reallocate the amounts between the two programs.

Effective date: June 9, 2003.

Interfund loans; Definition of Bonds

Chapter 127, Article 10, Section 1

Amends M.S. 469.174, subdivision 3

Clarifies that interfund loans or advances qualify as TIF bonds if they satisfy M.S. 469.178, subdivision 7, which requires:

- The loan or advance is authorized, by resolution of the governing body, before money is transferred, advanced, or spent, whichever is earliest; and
- The terms and conditions for repayment of the loan are provided in writing and include the following:
 - Principal amount;
 - Interest rate; and
 - Maximum term.

Effective date: Retroactive to the law adding interfund loans and advances to the definition of TIF bonds (Laws 2001, First Special Session Chapter 5, Article 15, Section 3, for loans and advances made after July 31, 2001, and to districts with requests for certification made after July 31, 1979).

Definition of Municipality

Chapter 127, Article 10, Section 2

Amends M.S. 469.174, subdivision 6

Clarifies that the county where the district is located is the "municipality" for county TIF districts or multi-county authorities.

Note: See next listing for another change to this subdivision.

Effective date: Effective for districts in which the request for certification was made after July 31, 1979.

Definition of Municipality

SS Chapter 21, Article 10, Section 2

Amends M.S. 469.174, subdivision 6, as amended by Laws 2003, Chapter 127, Article 10, Section 2

Adds that the county where the district is located is the "municipality" when it acts under a special law.

Note: See previous listing for another change to this subdivision.

Effective date: Applies to all districts for which the request for certification was made after July 31, 1979.

**Redevelopment District; Definition of Substandard
Chapter 127, Article 10, Section 3**

Amends M.S. 469.174, subdivision 10

This provision provides that a building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure.

Changes the statute to specify that if it would cost 15 percent or more of the costs of constructing a new structure to modify an existing structure to satisfy the building code applicable to new buildings, does not mean that the building is declared substandard. Clarifies that this is a necessary, but not a sufficient, condition to determining that the building is substandard. This section confirms the intent of the legislature with regard to the original language and codifies part of the holding in the *Walser Auto Sales, Inc. v. City of Richfield*.

Also corrects an erroneous cross-reference.

Note: See next listing for another change to this subdivision.

Effective date: The confirmation of the intent of the original language is effective retroactive to the effective date of the underlying provision beginning August 1, 2003. The corrected cross-reference is effective beginning August 1, 2003, for districts for which the request for certification was received by the county after June 30, 2002).

**Redevelopment District; Definition of Substandard
SS Chapter 21, Article 10, Section 3**

Amends M.S. 469.174, subdivision 10

Adds a qualifying disaster area as defined under M.S. 469.174, subdivision 10b to the list of possible conditions to qualify as a redevelopment district.

This is added to pre-existing conditions that allow qualification for a redevelopment district which include:

- A measure of improved parcels that are structurally substandard to a degree requiring substantial renovation or clearance;
- Vacant, unused, underused, inappropriately used, or infrequently used railroad property; and
- Certain tank facilities.

Note: See previous listing for another change to this subdivision. See next listing for the definition of "qualified disaster area."

Effective date: Requests for certification made after June 9, 2003.

**Redevelopment District Definition of Qualified
Disaster Area
SS Chapter 21, Article 10, Section 4**

Amends M.S. 469.174, by adding subdivision 10b

Defines a "qualified disaster area" as an area that meets the following requirements:

- 70 percent of the area of the district consists of parcels that are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures immediately before the disaster or emergency;
- The area of the district was subject to a disaster or emergency, within the 18-month period ending on the day the request for certification of the district is made; and
- 50 percent or more of the buildings in the area have suffered substantial damage as a result of the disaster or emergency.

Effective date: Requests for certification made after June 9, 2003.

**Definition of Increment
Chapter 127, Article 10, Section 4**

Amends M.S. 469.174, subdivision 25

Clarifies the definition of increment by specifying that both principal and interest received on loans and other advances with tax increments are also increments.

Note: See page 24 for another change to this subdivision.

Effective date: For districts for which the request for certification was made after June 30, 1982, and payments of principal and interest received on loans or other advances that were made after June 30, 1997.

**Definition of Qualified Housing District
Chapter 127, Article 10, Section 5**

Amends M.S. 469.174, by adding subdivision 29

Defines "qualified housing district" as a housing district for:

- Residential rental project or projects in which the only properties receiving assistance from revenues derived from tax increments from the district meet the rent restriction requirement and low-income occupancy test for a qualified low-income housing project under federal law (Section 42(g) of the internal Revenue Code of 1986), regardless of whether the project actually receives a low-income housing credit; or

- Single-family homeownership project or projects, if 95 percent or more of the homes receiving assistance from tax increments from the district are purchased by qualified purchasers. A qualified purchaser means the first purchaser of a home after the tax increment assistance is provided whose income is at or below 85 percent of the median gross income for a family of the same size as the purchaser.

This definition was previously contained in the state aid reduction statute (M.S. 273.1399), which was repealed in 2001. However, several provisions of law continued to rely on this definition.

The definition is similar to the language of the repealed definition with two exceptions:

- The income limit for owner occupied housing was increased from 70 percent of the median income to 85 percent.
- Rental housing projects need only meet the rent and income restrictions under the federal low-income housing tax credit. Prior law required all of the requirements of federal law to be satisfied.

Effective date: Requests for certification made on or after January 1, 2002, and to all districts to which the definition under M.S. 273.1399 applied.

TIF Plan

Chapter 127, Article 10, Section 6

Amends M.S. 469.175, subdivision 1

Requires TIF plans to separately state the amount of expenses, including administrative expenses that will be paid with tax increments from the district.

Effective date: Applies to districts in which the request for certification was made after July 31, 1979, and for plans and modifications approved after June 30, 2003.

Municipality Approval of TIF Plan

Chapter 127, Article 10, Section 7

Amends M.S. 469.175, subdivision 3

Makes changes in the law regarding the approval of a TIF plan by a municipality. Requires written documentation of market value findings before or at the time of approval of the TIF plan which must include:

- An estimated amount of the increase in market value for the site without the use of TIF;

- An estimated amount of the increase in the market value that will result from the use of TIF; and
- The present value of the projected tax increments for the maximum duration of the district permitted by the TIF plan.

Defines "site" for this subdivision as the parcels on which the development or redevelopment to be assisted with TIF will be located.

Also clarifies that a qualified housing district is only exempt from providing written documentation of reasons and supporting facts about market value findings, but not the other requirement in clause (2), i.e., the proposed development or redevelopment would not reasonably occur solely through private investment in the foreseeable future.

Also strikes an obsolete reference to M.S. 273.1399.

Effective date: For determinations made after June 30, 2003, except the definition of "site" applies to requests for certification of TIF districts made after June 30, 1995.

Modification of TIF Plan

Chapter 127, Article 10, Section 8

Amends M.S. 469.175, subdivision 4

Requires TIF plan modifications to separately state the amount of expenses, including administrative expenses, that will be paid with tax increments from the district. Previous law only required the plan to estimate the total amount of administrative expenses.

Also makes changes that are intended to make the statute more readable.

Effective date: August 1, 2003, for districts created after June 30, 2003. The development authority may elect to have this section apply to a TIF plan or modification that was approved before July 1, 2003, by adopting a plan or modification that conforms to the changes before January 1, 2004. The development authority may make plan modifications adopting the new rules for administrative expenses without going through the published notice and hearing requirements. Districts created after June 30, 1982, and before July 1, 2003, and for which the plan has not been amended to conform to these changes, the limit on administrative expenses that will be paid from increments is nine percent of the increments for the district.

Annual Financial Reporting
Chapter 127, Article 10, Section 9

Amends M.S. 469.175, subdivision 6

Removes the requirement that the annual financial report include the amount budgeted under the TIF plan and adds a requirement that the report include the estimated amount of the project cost, including administrative expenses, that will be paid with tax increments.

Effective date: Reports due in calendar year 2004.

Creation of Hazardous Substance Subdistrict; Response Action
Chapter 128, Article 2, Section 45

Amends M.S. 469.175, subdivision 7

Changes the fund that the pollution control agency is to deposit money for reimbursements of administrative expenses to review and approve a development action response plan. This money is to be deposited in the remediation fund. Previously, it was the environmental response, compensation and compliance fund.

Effective date: None specified so August 1, 2003.

Duration Limits: Pre-1979 Districts; Use of Increments
Chapter 127, Article 10, Section 10

Amends 469.176, subdivision 1c

Authorizes or clarifies the use of increments from these districts to pay or repay the following:

- Bonds issued before April 1, 1990;
- Bonds issued to refund principal of the outstanding bonds and pay associated costs;
- County administrative expenses (required to be paid under M.S. 469.176, subdivision 4b, paragraph (a));
- Transfers of increments to eliminate deficits in other districts (under M.S. 469.1763, subdivision 6);
- Advances or payments made after June 1, 2002, by the municipality or authority to pay pre-1990 bonds or to pay bonds issued to refund principal of the outstanding bonds and pay associated costs.

Previously, the authority had to pay county administrative costs using other revenues. This section also clarifies the interaction between the duration limit for pre-1979 districts and the deficit reduction pooling provisions. It provides that the increments must be used first to pay the pre-1979

district's bonds and county administrative expenses. If in any year increments remain after paying these costs, the excess can be used under the deficit reduction pooling provisions. This section also allows the authority to recover other funds advanced to pay pre-1990 bonds after June 1, 2002, to make up a deficit caused by the 2001 property tax changes.

Effective date: May 26, 2003, and applies to TIF districts for which the request for certification was made before August 1, 1979.

Excess Increments
Chapter 127, Article 10, Section 11

Amends M.S. 469.176, subdivision 2

Requires the authority to annually determine if a district has excess increments, as of December 31. Defines "excess increments" as the total amount of increments collected since certification through the end of the calendar year, minus all of the costs authorized in the TIF plan to be paid with increments.

The following adjustments are made:

- Any excess increments redistributed to taxing districts in a prior year are deducted from the total increments collected;
- Total authorized costs in the TIF plan for the district are reduced by three amounts:
 1. Costs paid by non-increment revenues;
 2. Other non-increment revenues that are dedicated for or otherwise required to be used to pay those costs (and are not included in #1 as they have not already been used to pay those costs); and
 3. Principal and interest obligations due on outstanding bonds to be paid in future years.

Also clarifies that "municipality" means the city or town, county, and school district in which the TIF district is located receives distributions of excess increments for county TIF districts in proportion to their respective local tax rates.

Effective date: Applies to all TIF districts, regardless of whether the request for certification was made before, on, or after August 1, 1979, and applies after August 1, 2003, except that the clarification of "municipality" is effective retroactively to August 1, 1979.

**Limitation on Administrative Expenses
Chapter 127, Article 10, Section 12**

Amends M.S. 469.176, subdivision 3

Clarifies that the 10 percent limit on administrative expenses applies to increments as defined in M.S. 469.174, subdivision 25, clause (1) (i.e. the amount of taxes paid by the district's captured tax capacity, excluding excess taxes) or to estimated increment expenditures (since actual, total increment revenues are not known until the district is decertified).

Effective date: TIF districts for which the request for certification was made before, on, or after August 1, 1979.

**Parcels Not Includable in District; Reference to Definition of Qualified Housing District
Chapter 127, Article 10, Section 13**

Amends M.S. 469.176, subdivision 7

Eliminates a cross-reference to the definition of "qualified housing district" contained in M.S. 273.1399, which was repealed in 2001.

Effective date: Requests for certification made on or after January 1, 2002, and to all districts to which the definition under M.S. 273.1399 applied.

**Restrictions on Pooling; Five-Year Limit; Definition of Increments
Chapter 127, Article 10, Section 14**

Amends M.S. 469.1763, subdivision 1

Defines "revenues derived from tax increments paid by properties in the district" by limiting the definition of increments for the purpose of this section to taxes paid by the district's captured NTC, excluding excess taxes (as defined in M.S. 469.174, subdivision 25, clause (1)); and does not include the following tax increments (as defined in M.S. 469.174, subdivision 25, clause (2), (3), and (4)):

- The proceeds from the sale or lease of property, tangible or intangible, purchased by the authority with tax increments;
- Repayments of loans or other advances made by the authority with tax increments; and
- Interest or other investment earnings on or from tax increments.

Effective date: Districts for which the request for certification was made after April 30, 1990.

**Restrictions on Pooling; Five-Year Limit; Expenditures Outside District
SS Chapter 21, Article 10, Section 5**

Amends M.S. 469.1763, subdivision 2

Clarifies that the pooling authority to use increments to assist certain low-income housing projects can be done by non-housing districts and be considered activities in the district without violating the limitations imposed on those types of districts.

Effective date: Districts for which the request for certification was made after April 30, 1990.

**Restrictions on Pooling; Five-Year Limit; Expenditures Outside District
Chapter 127, Article 10, Section 15**

Amends M.S. 469.1763, subdivision 3

Provides that revenues derived from tax increments are considered to have been expended on an activity within the district if the expenditures are made to assist certain low-income housing projects.

Effective date: Expenditures made after June 30, 2003.

**Restrictions on Pooling; Five-Year Limit; Use of Revenues for Decertification
SS Chapter 21, Article 10, Section 6**

Amends M.S. 469.1763, subdivision 4

Clarifies that the required use of revenues derived from tax increments that are in excess of expenditures in the district to pay or defease outstanding bonds or contracts is determined on an annual basis.

Effective date: None specified so August 1, 2003.

**Restrictions on Pooling; Five-Year Limit; Pooling Permitted for Deficits
Chapter 127, Article 10, Section 16**

Amends M.S. 469.1763, subdivision 6

Eliminates the requirement that the Department of Revenue approve the use of increments from one district to cover a deficit in another district. There is no longer a direct state budget impact from these actions.

Effective date: Retroactively to January 2, 2002, and thereafter.

Original Net Tax Capacity
Chapter 127, Article 10, Section 17

Amends M.S. 469.177, subdivision 1

Provides that adjustments to original NTC apply to all districts. The county auditor is to adjust the original NTC for legislative changes in class rates and increases in NTC due to removal of property from Green Acres, Open Spaces, or Agricultural Preserves programs; or the property no longer qualifies for the Plat Law if the phase-in period expires or construction begins on the lot.

This section requires adjustment of the original NTC of all parcels for class rate changes enacted after May 1, 1998, regardless of whether the classification of the property has changed after the certification of the district. Adjustments are also required for classification changes occurring after December 31, 2002.

Note: See next listing for another change to this subdivision.

Effective date: For all districts regardless of whether the request for certification was made on, before or after August 1, 1979, beginning with taxes payable in 2004.

Original Net Tax Capacity
SS Chapter 21, Article 10, Section 7

Amends M.S. 469.177, subdivision 1

Provides that the original NTC is equal to the land value for any parcel in a redevelopment district qualifying as a disaster area that suffered substantial damage.

Note: See previous listing for another change to this subdivision.

Effective date: Requests for certification made after June 9, 2003.

Decertification of TIF District
Chapter 127, Article 10, Section 18

Amends M.S. 469.177, subdivision 12

Clarifies that a decertification request can specify a date for decertification other than the date of receipt of the request by the county auditor.

Effective date: All districts, regardless of whether the request for certification was made before, on, or after August 1, 1979.

Abatement of Penalties
Chapter 127, Article 10, Section 19

Amends M.S. 469.1771, subdivision 4

Extends the court's authority to abate penalties imposed on a TIF authority causing an undue hardship for the authority. Previously, the court only had the authority to abate penalties imposed on a municipality. Also clarifies that the court may abate penalties that were imposed due to an unauthorized action or the failure to perform a required action in addition to committing an unauthorized action. To abate penalties for TIF violations, the court must determine that the action was taken in good faith and imposing the payment requirement would cause an undue hardship.

Effective date: For violations after December 31, 1990 (the effective date of the underlying provision).

Violations; Limitations on Actions
Chapter 127, Article 10, Section 20

Amends M.S. 469.1771 by adding subdivision 7

Imposes a statute of limitation on legal actions challenging determinations and findings that are part of the adoption or modification of a TIF plan. An action must be filed by the later of:

- 180 days after approval of the plan or modification; or
- 90 days from the request for certification.

Effective date: May 26, 2003.

Interfund Loans
Chapter 127, Article 10, Section 21

Amends M.S. 469.178, subdivision 7

- Permits a governing body to pass a general resolution granting the authority the power to make interfund loans. Previously, each loan or advance would be required to be approved by a separate resolution.

Also clarifies that the maximum interest rate on interfund loans is the greater of the allowable rates (M.S. 270.75 and M.S. 549.09) and is a fixed rate set as of the date of the loan, unless specified in writing that the rate will fluctuate.

Effective date: Loans and advances made after July 31, 2001, and for districts in which the request for certification was made after July 31, 1979.

**Preconditions to Establish District; Reference to Definition of Qualified Housing District
Chapter 127, Article 10, Section 22**

Amends 469.1791, subdivision 3

Eliminates a statutory cross-reference to the definition of “qualified housing district” in M.S. 273.1399, which was repealed in 2001.

Effective date: Applies to all districts with requests for certification made on or after January 1, 2002, and to all districts that the definition under M.S. 273.1399 applied.

**Special Deficit Authority; Scope
Chapter 127, Article 10, Section 23**

Amends M.S. 469.1792, subdivision 1

Clarifies that the authority to use the current local tax rate rather than the original local tax rate and change the fiscal disparities option to Option A (so the contribution is spread to the taxing districts, rather than reducing the district’s increments) to reduce shortfalls resulting from class rate compression or the general education takeover only applies to deficits in pay-as-you-go agreements entered into before August 1, 2001.

Effective date: Requests for certification made after July 1, 1979 (retroactive to the effective date of the original enactment).

**Special Deficit Authority; Definition of Pre-existing Obligations
Chapter 127, Article 10, Section 24**

Amends M.S. 469.1792, subdivision 2

Changes the definition of “pre-existing obligations” for special deficit authorities to include the refinance of bonds or binding contracts if the present value of the debt does not increase. The required date by which contracts must have been entered into in order for the bonds issued pursuant to the contract to qualify as pre-existing obligations was changed from August 1, 2001, to July 1, 2001, to be consistent with the definition used for pooling (under M.S. 469.1763, subdivision 6).

Effective date: May 26, 2003, for all districts for which the request for certification was made before August 1, 2001.

**Fiscal Disparities Option, Economic Development Districts
Chapter 127, Article 5, Section 43**

Amends M.S. 469.1792, subdivision 3

Requires development authorities to adopt a resolution and notify the county auditor by July 1 to be effective for taxes payable the following year if the authority elects to:

- Uncap the original tax rate (use the current local tax rate, rather than the original local tax rate); and
- Change the fiscal disparities option to Option A so that the contribution is spread to the taxing districts, rather than reducing the district’s increments.

Note: See next listing for another change to this subdivision.

Effective date: Taxes payable in 2004 and thereafter.

**Actions Authorized
Chapter 127, Article 10, Section 25**

Amends M.S. 469.1792, subdivision 3

Clarifies that economic development districts for which the request for certification was made after June 30, 1997, may change the fiscal disparities option to Option A (so the contribution is spread to the taxing districts, rather than reducing the district’s increments) to offset a deficit.

Also corrects a cross-reference.

Note: See previous listing for another change to this subdivision.

Effective date: May 26, 2003, for all districts for which the request for certification was made before August 1, 2001.

**Duration Extension to Offset Deficits
SS Chapter 21, Article 10, Section 8**

Adds M.S. 469.1794

Authorizes development and redevelopment authorities to extend the duration of a pre-2001 district to offset deficits caused by the 2001 property tax reform.

Defines “pre-existing obligation” as a bond or binding contract that:

- Was issued or approved before August 1, 2001, or was issued pursuant to a binding contract entered into before July 1, 2001; or

- Was issued to refinance the above obligations (if the refinancing does not increase the present value of the debt service); and
- Is secured by increments from a pre-existing district.

Defines "qualifying obligation" as a pre-existing obligation that is:

- A general obligation bond of the municipality or authority;
- A revenue bond of the authority to which other revenues (in addition to tax increments) are pledged to pay;
- An interfund loan, including an advance or payment made by the municipality or authority after June 1, 2002, to pay the above obligations;
- An obligation assumed by a developer before January 1, 2001, to repay a general obligation bond issued by a municipality to fund cleanup and development activities, if the developer assumed the obligation more than five years after the issuance of the bonds; or
- Bonds issued to refinance the above obligations.

Before an authority may extend the duration of a district under this section, it must first exercise all of the other available deficit-reduction options including:

- Uncapping the original local tax rate (use the current local tax rate, rather than the original local tax rate);
- Changing the fiscal disparities option to Option A so that the contribution is spread to the taxing districts, rather than reducing the district's increments (for a district in the metropolitan area or taconite tax relief area);
- Transferring surplus increments from other districts in the municipality to pay qualified obligations.

The maximum extension is determined by formula, and equals the lesser of:

- Four years; or
- The tax reform percentage for the district estimated by the county auditor multiplied by the remaining duration of the district (the number of calendar years, beginning after December 31, 2001) rounded to the nearest whole number of years (fractions greater than one-third are rounded up). The tax reform percentage is the:
 - Total taxes paid by the original tax capacity for the district for payable 2001;
 - Minus the average of the total taxes paid by the original tax capacity for the district for payable 2002 and 2003;
 - Divided by the total taxes paid by the original tax capacity for payable 2001.

The authority must provide public notice and hold a hearing before approving an extension. The municipality may treat all pre-existing obligations, including pay-as-you-go obligations as qualified obligations. However, if the municipality chooses to do so, the maximum duration is limited to one-half of the length determined by the formula.

Provides that the commissioner may grant an additional extension of up to two years if the formula-based extension will not provide sufficient revenue to pay for qualifying obligations:

Specifies the following limitations on the use of increments:

- The authority may only use tax increments from a district that receives an extension to pay pre-existing obligations of the district and administrative expenses.
- During the extension period, all tax increments must be used only to pay qualified obligations of the district.
- If increments from a district that receives an extension are pledged to pay pre-existing obligations that are not qualified obligations, increments received under the duration limit must be used to pay qualified obligations and pre-existing obligations that are not qualified obligations in proportion to their shares of payments due on all pre-existing obligations.
- If increments from multiple districts are pledged to pay pre-existing obligations of the district that receives an extension, increments from all of the districts may only be used to pay pre-existing obligations and administrative expenses.

Provides that a district that receives an extension must be decertified at the end of the first calendar year when sufficient increments have been received to pay qualified obligations. Any remaining unspent increments must be distributed as excess increments.

Effective date: June 9, 2003, for districts for which the request for certification was made before August 1, 2001.

Definitions of Increment Chapter 127, Article 10, Section 28

Amends Laws 1997, Chapter 231, Article 10, Section 25

Clarifies that the effective date for clause (1) of the definition of "increment" found in M.S. 469.174, subdivision 25 (property taxes paid by the captured NTC), applies to all districts, regardless of whether the request for certification was made before, on, or after August 1, 1979.

Note: See page 18 for another change affecting M.S. 469.174, subdivision 25.

Effective date: May 26, 2003, and thereafter.

Restrictions on Pooling; Five-Year Limit; Pooling Permitted for Deficits

Chapter 127, Article 10, Section 29

Amends Laws 2002, Chapter 377, Article 7, Section 3

Changes the effective date of the authorization to transfer increments from one district to cover a deficit in another (M.S. 469.1763, subdivision 6). Previously, the provision was effective for increments payable in 2002 and thereafter, and now it is effective for deficits occurring in calendar year 2000 and thereafter.

Effective date: None specified so August 1, 2003, and thereafter.

TIF: Specific Districts

TIF District Extension; City of Hopkins

Chapter 127, Article 10, Section 31

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that allows the city of Hopkins to extend the duration limit of TIF district 2-11 by up to four additional years. Upon local approval of this extension, no increments may be spent on activities located outside of the area of the district, except to pay administrative expenses. Also extends the five-year rule to nine years.

Effective date: The duration extension is effective upon local approval by the county, city and school district. The five-year rule extension is effective upon local approval by the city of Hopkins.

TIF District; City of Duluth

Chapter 127, Article 14, Section 15

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes the city of Duluth and its EDA to create an economic development TIF district for aircraft-related facilities. The city can establish the district only after entering a development agreement providing for:

- The construction of an aircraft maintenance facility with a minimum square footage of 150,000; and
- Employment of at least 200 employees with an average compensation of \$30,000 per year.

This district would have a duration limit of 25 years following receipt of the first increment for the district instead of eight years as provided for an economic district under general law (M.S. 469.176, subdivision 1b). Specifies that aircraft maintenance is deemed to be a purpose

authorized by M.S. 469.176, subdivision 4c, paragraph (a), which limits the use of increments from economic development districts to certain purposes including manufacturing, warehousing, research and development, telemarketing, tourism, and qualified border retail facilities in defined counties.

Effective date: Upon local approval by the county, city and school district.

TIF District; City of New Hope

SS Chapter 21, Article 10, Section 10

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes the city of New Hope or its EDA to create one or more redevelopment or soils condition TIF districts within a specified area of the city. The size of the district(s) must not exceed 130 total acres and may not include more than 131 parcels. Specifies that the following special rules apply to these districts:

- The five-year rule (M.S. 469.1763, subdivision 3) is extended to nine years.
- Exceptions to the limitations on expenditure of increment outside of the district (M.S. 469.1763, subdivision 2) applies as follows:
 - Administrative expenses are treated as expenditures within the district (under general law these are considered expenses outside the district);
 - The percentage of increments that may be spent on activities outside of the district is increased by 15 percent;
 - Increments spent outside of the district may only be spent on costs, such as property acquisition and public improvements that are fairly apportioned to parcels on which the ultimate use is planned for housing; and
 - Increments may only be expended on improvements within the specified area of the city.
- Thirteen identified parcels are deemed substandard for the purpose of qualifying the district as a redevelopment district.

The exceptions to expenditures outside the district expire 20 years after the receipt of the first increment. The authority to establish a TIF district subject to these provisions expires on December 31, 2013.

Effective date: Upon local approval by the city of New Hope and Hennepin County.

Fiscal Disparities

Definition of Area for Taconite Fiscal Disparities SS Chapter 21, Article 11, Section 11

Amends M.S. 276A.01, subdivision 2

Defines "area" as the territory included within all tax relief taconite assistance areas defined in M.S. 273.1341. This includes the geographic area that falls within the boundaries of a school district that contains a municipality that had either:

- At least 40 percent of its assessed value in unmined iron ore on May 1, 1941; or
- A taconite concentrating plant, taconite mine or quarry, or an electric generating plant that qualified as a taconite facility on January 1, 1977 (or the applicable assessment date).

Effective date: None specified so August 1, 2003.

Distribution Net Tax Capacity Chapter 127, Article 5, Section 44

Amends M.S. 473F.07, subdivision 4

Removes an adjustment to the distribution NTC for municipalities with a large amount of manufactured home property.

The 1991 legislature enacted several changes to the metropolitan fiscal disparities program. One of those changes was to add personal property along with real property in determining a municipality's property wealth for determining the distribution formula. A soft-landing provision was enacted to assist two municipalities (Hilltop in Anoka County and Landfall in Washington County) with virtually all of their value in personal property (manufactured homes), by stipulating that their distribution NTC could not be reduced by more than five percent per year. The phase-in period ended, however, the provision remained. When the fiscal disparities pool shrank 32 percent due to the 2001 class rate changes, these two communities benefited by limiting the decrease of their distribution NTC to 95 percent of the previous year. For 2003, both cities have a distribution approximately 50 percent more than it would be without this provision.

Effective date: Taxes payable in 2004 and thereafter.

Property Tax Aids and Credits

Property Tax Aids

Calculation of Police State Aid Chapter 2, Article 1, Section 9

Amends 69.021, subdivision 5

Clarifies the computation of the amount of police state aid. 104 percent of auto insurance premium taxes paid to the state is not to be increased by payments received under M.S. 297I.05, subdivision 8 (insurance premium tax equivalent for auto risk self insurers), because that subdivision was repealed in Laws 2001, First Special Session Chapter 5, Article 13, Section 15.

Effective date: None specified so August 1, 2003.

Excess Police State Aid Holding Account SS Chapter 14, Article 6, Section 1

Amends M.S. 69.021, subdivision 11

Changes the amount of excess aid to be annually apportioned to the ambulance service personnel longevity award and incentive expense account to \$900,000. Previously, this was \$1 million.

Effective date: None specified so August 1, 2003.

State Aid for Police and Fire Relief Associations Chapter 2, Article 1, Section 10

Amends 69.041

Changes a cross-reference. The statute specifies the source of funding for state payments made to the fire or police relief association. The prior reference to M.S. 60A.15, subdivision 1, paragraph (a), clause (1) is changed to reference 297I.05 to reflect the recodification of the insurance tax statutes in 2000.

Effective date: None specified so August 1, 2003.

Temporary Aid for Court Costs SS Chapter 21, Article 6, Section 1

Amends M.S. 273.1398, subdivision 4a

Provides state aid in calendar years 2004 and 2005 for counties that have not had their court administration costs transferred to the state (previously this was a HACA adjustment). The aid is reduced when the costs are transferred to the state. The reductions include:

- 75 percent in 2004 and 100 percent for 2005 for counties in the first and third districts; and

- 75 percent for counties in the sixth and tenth districts in 2005.

Also requires the Supreme Court to certify each county's share of the costs to be assumed by the state for the counties in the affected judicial districts to the commissioner of revenue by July 15, 2003, so the aids can be computed.

Effective date: Aids payable in 2004 and 2005.

Court Expenditures; Maintenance of Effort Chapter 127, Article 5, Section 18

Amends M.S. 273.1398, subdivision 4b

Provides that counties budget, fund and authorize expenditures not less than the amount calculated for court administration costs. Eliminates the provision that counties add temporary aid amounts under subdivision 4c for maintenance-of-effort administrative costs to the amount of court administration costs.

Effective date: May 26, 2003, and thereafter.

Temporary Aid; Court Administration Costs SS Chapter 21, Article 6, Section 2

Amends M.S. 273.1398, subdivision 4c

Provides for temporary court maintenance of effort cost aid (previously referred to as "additional HACA") in calendar year 2004 and 2005 for counties in judicial districts that have not been transferred to the state by January 1 of that year. The amount of aid is equal to the difference between:

- The amount budgeted for court administration costs is multiplied by the maintenance of effort percent for the calendar year; and
- The amount budgeted for court administration costs in 2003. (This is reduced by 50 percent in the calendar year in which the district is transferred to the state.)

Effective date: Aids payable in 2004 and 2005 for counties in the first, third, sixth and tenth judicial districts.

HACA Payment SS Chapter 21, Article 6, Section 3

Amends M.S. 273.1398, subdivision 6

Amends appropriation to eliminate county HACA payments beginning in calendar year 2004 and adds new temporary aids.

Effective date: Aids payable in 2004 and thereafter.

HACA Appropriation
SS Chapter 21, Article 6, Section 4

Amends M.S. 273.1398, subdivision 8

Eliminates obsolete reference to providing appropriations to pay for local impact notes from HACA funding.

Effective date: Aids payable in 2004 and thereafter.

Taconite Aids: Division and Distribution of Proceeds to School Districts
Chapter 127, Article 11, Section 8

Amends M.S. 298.28, subdivision 4

Eliminates the inflation adjustment for school district distributions and makes changes in references to be consistent with the definitional changes in M.S. 273.134.

Note: See the first listing under "Property Tax Credits" on page 31 for changes to M.S. 273.134.

Effective date: Distributions made in 2004 and thereafter.

Taconite Aids: Reference to Taconite Assistance Area
SS Chapter 21, Article 11, Sections 24 and 25

Amends M.S. M.S 298.28, subdivisions 7 and 11

Changes references to "taconite assistance area" from "taconite tax relief area" for consistency.

Effective date: None specified so August 1, 2003.

County Program Aid
SS Chapter 21, Article 6, Section 5

Adds M.S. 477A.0124

Creates and provides for the payment of county program aid. For 2004, the amount of the aid is equal to:

- The amount of county attached machinery aid computed for the county for payment in 2003 (M.S. 273.138) prior to any reduction;
- The amount of county HACA computed for the county for payment in 2003 (M.S. 273.1398, subdivision 2) prior to any reduction, minus:
 - district court costs (M.S. 273.1398, subdivision 4a, paragraph (b)) for counties in the first, third, sixth, and tenth judicial districts; or
 - 25 percent of district court costs (M.S. 273.1398, subdivision 4a, paragraph (b)), for counties located in judicial districts two and four;
- The amount of county manufactured home HACA computed for the county for payment in 2003 (M.S. 273.166) prior to any reduction;

- The amount of county criminal justice aid computed for the county for payment in 2003 (M.S. 477A.0121) prior to any reduction; and
- The amount of county family preservation aid computed for the county for payment in 2003 (M.S. 477A.0122) prior to any reduction.

For 2005 and thereafter, county program aid is equal to the sum of county need aid, county tax-base equalization aid and county transition aid.

For 2005 and thereafter, county need aid is an appropriation to be allocated as follows:

- 40 percent based on each county's share of age-adjusted population;
- 40 percent based on each county's share of the state total of households receiving food stamps; and
- 20 percent based on each county's share of the state total of Part I crimes.

For 2005 and subsequent years, county tax-base equalization aid is determined by each county's tax-base equalization aid factor.

A county's tax-base equalization aid factor is equal to the amount by which:

- \$185 times the county's population, exceeds
- 9.45 percent of the county's NTC.

In the case of a county with a population less than 10,000, the factor is multiplied by a factor of three. In the case of a county with a population greater than or equal to 10,000, but less than 12,500, the factor is multiplied by a factor of two. In the case of a county with a population greater than 500,000, the factor is multiplied by a factor of 0.25.

For 2005, a county is eligible for transition aid equal to the amount, if any, by which:

- The difference between the amount of:
 - County program aid received in 2004, divided by the total county program aid paid to all counties, multiplied by \$205 million; and
 - County need aid and county tax-base equalization aid the county is certified to receive in 2005;
- Exceeds three percent of the county's adjusted NTC.

In 2006, a county is eligible to receive two-thirds of the transition aid it received in 2005. In 2007, a county is eligible to receive one-third of the transition aid it received in 2005. No county shall receive transition aid after 2007.

Effective date: Aids payable in 2004 and thereafter.

Aid Appropriations; Counties SS Chapter 21, Article 6, Section 6

Amends M.S. 477A.03 by adding subdivision 2b

For aids payable in 2005 and thereafter, limits aid appropriations for:

- County need aid to \$100.5 million; and
- County tax-base equalization aid to \$105 million.

Provides for \$500,000 to fund public defender programs that are currently funded through county criminal justice aid (repealed in Laws 2003, First Special Session Chapter 21, Article 6, Section 17) and up to \$214,000 to fund local impact notes prepared by the commissioners of finance and education that are currently funded through HACA appropriations.

Effective date: Aids payable in 2004 and thereafter.

Job Opportunity Building Zone Aid SS Chapter 21, Article 1, Section 26

Adds M.S. 477A.08

Provides for the payment of aid to reimburse cities and counties for loss of tax base as a result of the property tax exemption in a job opportunity building zone. For each assessment year that the exemption for a job opportunity building zone property is in effect, the assessor determines the job opportunity building zone exempt tax capacity.

To qualify for this aid, the NTC of a city or county must decrease by at least three percent over the payable 2003 NTC as a result of the property tax exemption in the zone. Taxes payable 2003 is the base year used to determine the amount of the aid payments.

Provides that the county assessor notify the commissioner of revenue of the amount of the decreased NTC exceeding three percent of the NTC for payable 2003 by June 30 of the assessment year using a form prescribed by the commissioner. The commissioner will certify the aid amounts for each city and county by August 15 of each assessment year, and the aid payments will be made by July 20 of the following year.

The aid amount is calculated using the following formula:

$[\text{job opportunity building zone exempt tax capacity} - (3\% \times \text{2003 NTC})] \times \text{2003 local tax rate} \times 50\%$

Effective date: June 9, 2003, and thereafter.

Public Defense Services; Correctional Facility Inmates SS Chapter 21, Article 6, Section 7

Amends M.S. 611.27, subdivision 13

Provides for the funding of public defender programs from a portion of the county program aid that is a substitute for county criminal justice aid, which was repealed in Laws 2003, First Special Session Chapter 21, Article 6, Section 17.

Effective date: Payments in 2004 and thereafter.

Costs of Transcripts SS Chapter 21, Article 6, Section 8

Amends M.S. 611.27, subdivision 15

Provides for funding for certain costs of transcripts needed for public defender cases to come from a portion of county program aid that is a substitute for county criminal justice aid, which was repealed in Laws 2003, First Special Session Chapter 21, Article 6, Section 17.

Effective date: Payments in 2004 and thereafter.

Aid Reductions

Definitions for 2003 and 2004 State Aid Reductions (for use in SS Chapter 21, Article 6, Sections 9-15) SS Chapter 21, Article 6, Section 9

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that defines the 2003 and 2004 "levy plus aid revenue base" for a county as the sum of the county's certified property tax levy for taxes payable in 2003, plus the sum of the amounts the county was certified to receive in the designated calendar year as:

- HACA (M.S. 273.1398, subdivision 2) minus any amounts set aside for future court takeovers plus any aid to correct for errors in HACA effort amounts for 2001 mandated court services takeover;
- County manufactured home HACA computed for the county for payment in 2003 (M.S. 273.166);
- County criminal justice aid (M.S. 477A.0121);
- Family preservation aid (M.S. 477A.0122);
- Taconite aids (M.S. 298.28 and 298.282) including any aid which was required to be placed in a special fund for expenditure in the next succeeding year; and
- County program aid (477A.0124).

Effective date: June 9, 2003.

2003 County Aid Reductions
SS Chapter 21, Article 6, Section 10

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides for county aid reductions in 2003 equal to 3.21 percent of the county's levy plus aid revenue base for 2003. The reduction is limited to the sum of the county's payable 2003 distributions for attached machinery aid, HACA, county criminal justice aid, family preservation aid and market value credit reimbursement (to be reduced in that order).

Effective date: June 9, 2003.

2004 County Aid Reductions
SS Chapter 21, Article 6, Section 13

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides for county aid reductions in 2004 equal to 5.689 percent of the county's levy plus aid revenue base for 2004. The reduction is limited to the sum of the payable 2004 county program aid amount and the county's market value credit reimbursement (to be reduced in that order).

Effective date: June 9, 2003.

2003 Township Aid Reductions
SS Chapter 21, Article 6, Section 11

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides aid reductions for each township in 2003 equal to two percent of the town's certified levy for taxes payable in 2003, limited to the amount of the town's payable 2003 market value credit reimbursement.

Effective date: June 9, 2003.

2004 Township Aid Reductions
SS Chapter 21, Article 6, Section 14

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides aid reductions for townships in 2004 equal to three percent of the town's

certified levy for taxes payable in 2003, limited to the amount of the town's 2004 market value credit reimbursement.

Effective date: June 9, 2003.

2003 Special Taxing District Aid Reductions
SS Chapter 21, Article 6, Section 12

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides aid reductions for special taxing districts in 2003 equal to 1.5 percent of the district's certified tax levy for taxes payable in 2003, limited to the amount of the special taxing district's payable 2003 market value credit reimbursement.

Effective date: June 9, 2003.

2004 Special Taxing District Aid Reductions
SS Chapter 21, Article 6, Section 15

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides aid reductions for special taxing districts in 2004 equal to two percent of the districts certified levy for taxes payable in 2003, limited to the amount of the district's payable 2004 market value credit reimbursement.

Effective date: June 9, 2003.

HACA Adjustment; Court Takeover Error
SS Chapter 21, Article 6, Section 16

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides corrective aid in calendar years 2003 and 2004 for any county whose 2002 aid reduction was based on court costs not assumed by the state. The county is to receive the following aid adjustments:

- A permanent increase of \$50,000 in its HACA payment (above its certified 2003 aid amount) in calendar year 2003; and
- A permanent increase of an additional \$50,000 in its county program aid payment in calendar year 2004.

Effective date: Aids payable in 2003 and 2004.

Property Tax Credits

Taconite Tax Relief Areas; Definitions Chapter 127, Article 11, Section 1

Amends M.S. 273.134

Makes technical changes to be consistent with the way the taconite homestead credit, supplemental homestead credit, and other taconite aid programs are administered.

“Municipality” is defined as municipality that had either:

- At least 40 percent of its assessed value in unmined iron ore on May 1, 1941; or
- A taconite concentrating plant, taconite mine or quarry, or an electric generating plant that qualified as a taconite facility on January 1, 1977 (or the applicable assessment date).

Defines “tax relief area” as the area within the boundaries of a school district that had either:

- At least 40 percent of the assessed value was in unmined iron ore on May 1, 1941, and now is within 20 miles of a taconite mine or plant; or
- A taconite plant, taconite mine or quarry or a taconite electric generating plant that qualified as a taconite facility on January 1, 1977 (or the applicable assessment date).

Effective date: Taxes payable in 2004 and thereafter.

Taconite Assistance Area Definition for Purposes of the Fiscal Disparities Provisions for the Iron Range SS Chapter 21, Article 11, Section 10

Amends M.S. 273.1341, as added by Laws 2003, Chapter 127, Article 11, Section 2

Defines a "taconite assistance area" as the geographic area that falls within the boundaries of a school district that contains a municipality that had either:

- At least 40 percent of its assessed value in unmined iron ore on May 1, 1941; or
- Contained a taconite concentrating plant, taconite mine or quarry, or an electric generating plant that qualified as a taconite facility on January 1, 1977 (or the applicable assessment date).

Effective date: Taxes payable in 2004 and thereafter.

Taconite Homestead Credit and Supplemental Homestead Credit; Reference Chapter 127, Article 11, Sections 3-5

Amends M.S. 273.135, subdivisions 1 and 2; M.S. 273.1391, subdivision 2

Makes changes in the taconite homestead credit and supplemental homestead credit statutes to be consistent with the definitional changes in M.S. 273.134.

Note: See the first entry under “Property Tax Credits” on this page for changes to M.S. 273.134.

Effective date: Taxes payable in 2004 and thereafter.

Power Line Credit; Definition Chapter 127, Article 5, Section 21

Amends M.S. 273.42, subdivision 2

Defines a “high voltage transmission line” as a line with a capacity of 200 kilovolts or more in order for property beneath it to qualify for the power line credit. Previously, the voltage was specified by reference to another section of statute, which was changed without realizing that it affected the power line property tax credit.

Effective date: May 26, 2003, and thereafter.

Local Government Aid

General Provisions

State Demographer; Estimate of Household Size SS Chapter 21, Article 5, Section 1

Amends 4A.02

Provides that the state demographer is to prepare an estimate of the average household size for statutory or home rule charter cities with a population of 2,500 or more by May 1 of each year.

Effective date: July 1, 2003.

Definition of City Revenue Need SS Chapter 21, Article 5, Section 2

Amends M.S. 477A.011, subdivision 34

Defines “city revenue need.”

For cities with population of 2,500 or more, city revenue need is the sum of:

- 5.0734098 times the pre-1940 housing percentage;
- Plus 19.141678 times the population decline percentage;
- Plus 2504.06334 times the road accidents factor;
- Plus 355.0547;
- Minus the metropolitan area factor;
- Minus 49.10638 times the household size.

For a city with a population of less than 2,500, city revenue need is the sum of:

- 2.387 times the pre-1940 housing percentage;
- Plus 2.67591 times the commercial industrial percentage;
- Plus 3.16042 times the population decline percentage;
- Plus 1.206 times the transformed population;
- Minus 62.772.

For calendar year 2005 and thereafter, city revenue need will be increased by the ratio of the:

- Implicit price deflator for government expenditures and gross investment for state and local governments calculated by the U.S. Department of Commerce for the most recently available year to the
- 2003 implicit price deflator for state and local government purchases.

Effective date: Aids payable in 2004 and thereafter.

Definition of City Aid Base SS Chapter 21, Article 5, Section 3

Amends 477A.011, subdivision 36

Eliminates the following portions of city aid base:

- Grandfathered amounts of LGA, equalization aid, and disparity reduction aid received in 1993; and
- Grandfathered amounts relating to transfers from city general funds to sewer funds in 1992 or 1993.

Provides that the city aid base is increased by:

- \$200,000 in 2004 if the city is the site of a nuclear dry cask storage facility (Red Wing only).
- \$10,000 in 2004 and thereafter if the city was included in a federal disaster area on April 1, 1998, and its pre-1940 housing stock decreased by more than 40 percent between 1990 and 2000 (Comfrey only).

Eliminates obsolete language increasing the city aid base for calendar years 2000 to 2002 (Baxter).

Effective date: Aids payable in 2004 and thereafter.

Definition of Household Size SS Chapter 21, Article 5, Section 4

Amends M.S. 477A.011 by adding subdivision 38

Defines “household size” as the average number of persons per household in the jurisdiction. This is a new factor in the city revenue need formula for cities with a population of 2,500 or more. Household size is to be determined by the state demographer as of July 1 of the aid calculation year.

Effective date: Aids payable in 2004 and thereafter.

Definition of Road Accidents Factor SS Chapter 21, Article 5, Section 5

Amends M.S. 477A.011 by adding subdivision 39

Defines “road accidents factor” as the average annual number of vehicular accidents occurring on public roads, streets and alleys per capita in the jurisdiction. This is a new factor in the city revenue need formula for cities with a population of 2,500 or more. The commissioner of public safety is to report the road accidents factor to the commissioner of revenue by July 1 of the aid calculation year using the most recent three-year period for which complete information is available.

Effective date: Aids payable in 2004 and thereafter.

Definition of Metropolitan Area Factor SS Chapter 21, Article 5, Section 6

Amends M.S. 477A.011 by adding subdivision 40

Defines “metropolitan area factor” as 35.20915 for cities located in the metropolitan area. This is a new factor in the city revenue need formula.

Effective date: Aids payable in 2004 and thereafter.

City Formula Aid SS Chapter 21, Article 5, Section 7

Amends M.S. 477A.013, subdivision 8

Provides that the formula aid for a city is equal to the need increase percentage multiplied by the difference between:

- The city’s revenue need multiplied by its population; and
- The sum of the city’s NTC multiplied by the tax effort rate and the taconite aids under M.S. 298.28 and M.S. 298.282, multiplied by the following percentages:
 - Zero percent for aids payable in 2004;
 - 25 percent for aids payable in 2005;
 - 50 percent for aids payable in 2006;
 - 75 percent for aids payable in 2007;
 - 100 percent for aids payable in 2008 and thereafter.

Eliminates obsolete language doubling the need increase percentage in 1995 only for cities who transferred general funds to their sewer and water funds if the amount transferred exceeded their net levy.

Also provides that state costs currently subtracted from each city’s LGA after distribution is made, are now subtracted from the total LGA appropriation before distribution is made.

Effective date: Aids payable in 2004 and thereafter.

City Aid Distribution SS Chapter 21, Article 5, Section 8

Amends M.S. 477A.013, subdivision 9

Provides that a city receive an aid distribution equal to the formula aid amount and its city aid base.

The aid amount for a city in calendar year 2004 should not exceed its aid amount in calendar year 2003 after reductions. Provides that in 2005 and thereafter, the total aid amount for a city cannot increase in any year by more than 10 percent of its city levy in the previous year.

Provides the following aid reduction guidelines:

- Cities with a population of 2,500 or more:
 - For aids payable in 2005 and thereafter the total aid may not decrease by more than 10 percent of its net levy in the year prior to the aid distribution.
- Cities with a population less than 2,500:
 - For aids payable in 2004 only, the total aid may not be less than the amount it was certified to receive in 2003 minus the greater of the reduction to this aid payment in 2003 or five percent of its 2003 aid amount.
 - For aids payable in 2005 and thereafter, the total aid may not decrease by more than five percent of its 2003 certified aid amount.

Note: See previous listing for information on city formula aid.

Effective date: Aids payable in 2004 and thereafter.

Local Government Aid; Costs SS Chapter 1, Article 2, Section 120

Amends M.S. 477A.014, subdivision 4

Removes obsolete language and specifies that the director of the office of strategic and long-range planning is to bill the commissioner of revenue up to \$217,000 annually for the costs of best practices reviews and government information services. Previously, this amount was only for the cost of government information services.

Effective date: July 1, 2004.

Annual Aid Appropriation SS Chapter 21, Article 5, Section 9

Amends M.S. 477A.03, subdivision 2

Eliminates obsolete language related to previous LGA and county aid appropriations.

Effective date: Aids payable in 2004 and thereafter.

Aid Appropriations; Cities SS Chapter 21, Article 5, Section 10

Amends M.S. 477A.03 by adding subdivision 2a

Limits future appropriations for LGA to \$429 million for 2004 and \$437.052 million for 2005 and thereafter. The automatic inflation factor is repealed.

Effective date: Aids payable in 2004 and thereafter.

Pre-1940 Housing Percentage for Determining LGA Chapter 127, Article 5, Section 49

Does not amend, add to or repeal existing Minnesota Statutes or Laws

Clarifies that 2003 LGA amounts are to be calculated using the pre-1940 housing percentages reported in the 1990 federal census.

Effective Date: Aids payable in 2003 only.

Aid Reductions

Definitions for 2003 and 2004 Aid Reductions (for use in SS Chapter 21, Article 5, Sections 11-13) SS Chapter 21, Article 5, Section 11

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that defines “levy plus aid revenue base” for a city as the sum of the city’s certified property tax levy for taxes payable in 2003, plus the sum of the amounts the city was certified to receive in 2003 as:

- LGA (M.S. 477A.013);
- Existing low-income housing aid (M.S. 477A.06);
- New construction low-income housing aid (M.S. 477A.065); and
- Taconite aids (M.S. 298.28 and 298.282), including any aid which was required to be placed in a special fund for expenditure in the next succeeding year.

Defines “total revenue” for a city for calendar year 2003 as the total revenue amount for that city as reported by the state auditor for calendar year 2000, excluding grants between political subdivisions and amounts borrowed by the city, but including net transfers from an enterprise fund.

Effective date: June 9, 2003.

2003 City Aid Reductions SS Chapter 21, Article 5, Section 12

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides aid reductions for cities in 2003 equal to 9.3 percent of the cities levy plus aid revenue base for 2003. The reduction is limited to 3.7 percent of the city’s total revenues for 2003 if a city has a population under 1,000 or if the city has a three-year levy plus aid revenue base increase average of less than two percent. For all other cities, the reduction amount is limited to 5.25 percent of the city’s total revenues for 2003.

The reduction is further limited to the sum of the city’s payable 2003 LGA distributions and the city’s payable 2003 market value credit reimbursement (to be reduced in that order). The commissioner of revenue shall pay any remaining 2003 distribution or reimbursement amount reduced under this section in equal installments on the payment dates provided in law.

Effective date: June 9, 2003.

2004 City Aid Reductions SS Chapter 21, Article 5, Section 13

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that provides for city aid reductions in 2004. The initial aid reduction amount for each city is the amount by which the city’s LGA has decreased from 2003 to 2004.

The minimum aid reduction amount for a city is the amount of its reduction in 2003 minus any increase to its city aid base (M.S. 477A.011, subdivision 36) for 2004.

The maximum aid reduction amount for a city is an amount equal to 14 percent of the city’s total 2004 levy plus aid revenue base, except that if the city has a city NTC for aids payable in 2004, as defined in M.S. 477A.011, subdivision 20, of \$700 per capita or less, the maximum aid reduction shall not exceed an amount equal to 13 percent of the city’s total 2004 levy plus aid revenue base.

If the initial aid reduction amount for a city exceeds the city’s maximum aid reduction amount, the city receives additional temporary aid so that the actual reduction does not exceed the maximum. If the initial aid reduction amount is less than the minimum aid reduction amount for the city, the city’s 2004 market value credit reimbursements are reduced.

Provides that any reduced market value credit reimbursement amounts are payable in equal installments on the payment dates provided in law.

Effective date: June 9, 2003.

Truth in Taxation

Market Value Notices

Notification to Taxpayer

Chapter 127, Article 5, Section 2

Amends M.S. 270.10, subdivision 1a

Strikes an obsolete requirement that taxpayers be notified in writing that they must appear before local and county boards of appeal and equalization before they can appeal to the small claims division of tax court. Taxpayers have the option to appeal directly to the small claims division in tax court without having to first appeal to the local and county boards of appeal and equalization.

Effective date: May 26, 2003.

Truth in Taxation Notices

Notice of Proposed Property Taxes

SS Chapter 21, Article 4, Section 6

Amends M.S. 275.065, subdivision 3

Provides for changes to the TNT notice by eliminating two columns currently on the TNT notice:

- Tax change due to spending factors (defined as the proposed tax minus the constant spending tax amount); and
- Tax change due to other factors (defined as the constant spending tax amount minus the actual current year tax).

This means that the TNT notice must list the:

- Actual taxes for the current year; and
- Proposed tax amount for the next taxes payable year.

Also allows referenda approved by voters by the first Tuesday after the first Monday in November of the levy year to be one of the allowable exceptions excluded from the proposed tax amounts on the TNT notice.

Effective date: Notices prepared in 2003 for taxes payable in 2004 and thereafter.

Property Tax Collection and Distribution

Delinquency

Personal Property Tax Lien Filing Chapter 127, Article 5, Section 30

Amends M.S. 277.20, subdivision 2

Changes the place for filing lien notices that are related to the collection of personal property taxes of Minnesota residents from their county of residence to the office of the secretary of state.

Effective date: Liens filed on or after May 26, 2003.

Settlement and Distribution

Apportionment and Distribution of Funds Chapter 127, Article 5, Section 27

Amends M.S. 276.10

Eliminates the state from the list of taxing authorities to which funds are apportioned on various settlement days provided for in law and the list of authorities for which the county auditor issues a warrant for payment.

Effective date: Taxes payable in 2004 and thereafter.

When Treasurer Shall Pay Funds From May Settlement Chapter 127, Article 5, Section 28

Amends M.S. 276.11, subdivision 1

Eliminates the state from the list of taxing authorities to which the county treasurer makes payment of property tax collections following issuance of a warrant by the auditor after each of the various settlement days that are provided for in law.

Effective Date: Taxes payable in 2004 and thereafter.

State Property Taxes; County Treasurer Chapter 127, Article 5, Section 29

Adds M.S. 276.112

Requires county treasurers to electronically transmit state general property tax collections to the commissioner of revenue (rather than the commissioner of finance) annually on or before June 29, December 2, and the following January 25.

Effective date: May 26, 2003, and thereafter, which will affect settlement payments beginning in June 2003.

Property Tax Refund

Transferees and Fiduciaries

Chapter 127, Article 8, Section 7

Amends M.S. 289A.31, subdivision 3

Clarifies that overpaid property tax refunds are personal debts of fiduciaries and are recoverable from transferees and fiduciaries.

Effective date: Refunds paid on or after May 26, 2003.

Tax as a Personal Debt of a Fiduciary

Chapter 127, Article 8, Section 8

Amends M.S. 289A.31, subdivision 4

Clarifies that overpaid property tax refunds are personal debts of fiduciaries and are recoverable from transferees and fiduciaries.

Effective date: Refunds claimed on or after May 26, 2003.

Definition of Claimant; Renters' Property Tax Refund

Chapter 127, Article 2, Section 20

Amends M.S. 290A.03, subdivision 8

Provides that residents of group residential housing (GRH) facilities with a portion of their rent paid through GRH must apportion the renters' property tax refund based on the ratio of income from sources other than public assistance to total household income. This apportionment is required of residents of nursing homes, intermediate care facilities, and long-term residential facilities who have a portion of their rent paid through other public assistance programs, and this section adds a specific reference to group residential housing (M.S. 256I).

Effective date: Refund claims filed in 2004 (based on rent paid in 2003) and thereafter.

Internal Revenue Code; Property Tax Refund

SS Chapter 21, Article 3, Section 4

Amends M.S. 290A.03, subdivision 15, as amended by Laws 2003, Chapter 127, Article 4, Section 4

Updates the reference to the Internal Revenue Code in the property tax refund Chapter to include federal changes through June 15, 2003.

Effective Date: Refunds payable for rents paid in 2003 and thereafter, and property taxes paid in 2003 and thereafter.

Tax-Forfeited Land

Sale or Conveyance

Tax-Forfeited Land Within State Recreation Areas SS Chapter 13, Section 2

Amends M.S. 85.013, subdivision 1

Provides that any tax-forfeited land located within the boundaries of a state recreation area is withdrawn from sale and transferred to the commissioner of natural resources.

Effective date: None specified so August 1, 2003.

Alternate Sale Procedures for Tax-Forfeited Land Chapter 127, Article 5, Section 33

Amends M.S. 282.01, subdivision 7a

Allows tax-forfeited property that consists of an undivided interest in land or land and improvements to be offered to the other owners who have property adjacent to it for its appraised value without first having to be offered to the public at an open sale.

Effective date: Sales on or after May 26, 2003.

Use Deeds for Tax-Forfeited Property Chapter 127, Article 5, Section 46

Amends Laws 2001, First Special Session Chapter 5, Article 3, Section 61

Changes the effective date to eliminate changes of use for "use deeds" issued before the effective date of the 2001 law. Use deeds convey tax-forfeited property to a political subdivision of the state, upon approval of the county board, for a specified public use without requiring payment. Property not used for specified purposes within three years reverts to the state. Previously, this only applied to deeds issued on or after August 1, 2001. Now this provision also applies to deeds issued before August 1, 2001.

Effective date: August 1, 2001, for deeds issued on or after August 1, 2001. August 1, 2006, and thereafter for deeds issued before August 1, 2001.

Use Deeds for Tax-Forfeited Property Chapter 127, Article 5, Section 47

Amends Laws 2001, First Special Session Chapter 5, Article 3, Section 63

Changes the effective date so the law applies to deeds issued before August 1, 2001. Provides that if tax-forfeited land is not purchased or conveyed to the state by the end of the

three-year period, a declaration of reversion to the state cannot be made any earlier than 60 days prior to the expiration of the three-year period. Previously, this only applied to deeds issued on or after August 1, 2001.

Effective date: August 1, 2001, for deeds issued on or after August 1, 2001. August 1, 2006, and thereafter for deeds issued before August 1, 2001.

Public Sale of Tax-Forfeited Land Bordering Public Water; Aitkin County SS Chapter 13, Section 14

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes Aitkin County to publicly sell specified tax-forfeited property bordering public water provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Private Sale of Tax-Forfeited Land Bordering Public Water; Crow Wing County SS Chapter 13, Section 18

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes Crow Wing County to privately sell specified tax-forfeited property bordering public water provided the conveyance is in a form specified by the state attorney general (standard practice).

Effective date: June 13, 2003.

Public Sale of Tax-Forfeited Land Bordering Public Water; Crow Wing County SS Chapter 13, Section 19

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes Crow Wing County to publicly sell specified tax-forfeited property bordering public water provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Private Sale of Tax-Forfeited Land Bordering Public Water; Itasca County
SS Chapter 13, Section 20

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes Itasca County to privately sell specified tax-forfeited lands bordering public water to an adjoining landowner, provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Private Sale of Tax-Forfeited Land; Koochiching County
SS Chapter 13, Section 21

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes Koochiching County to privately sell specified tax-forfeited lands (some bordering public water) to the Bois Forte band of Chippewa Indians, provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Private Sale of Tax-Forfeited Land; Lake County
SS Chapter 13, Section 22

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes Lake County to privately sell specified tax-forfeited lands, provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Public Sale of Tax-Forfeited Land Bordering Public Water; Norman County
SS Chapter 13, Section 24

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes Norman County to publicly sell specified tax-forfeited lands bordering public

water, provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Public or Private Sale of Tax-Forfeited Land Bordering Public Water; St. Louis County
SS Chapter 13, Section 27

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes St. Louis County to publicly or privately sell specified tax-forfeited lands bordering public water by public or private sale, provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Private Sale of Tax-Forfeited Land Bordering Public Water; St. Louis County

SS Chapter 13, Section 28

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes St. Louis County to privately sell specified tax-forfeited lands bordering public water by public or private sale, provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Private Sale of Tax-Forfeited Land Bordering Public Water; St. Louis County
SS Chapter 13, Section 29

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that authorizes St. Louis County to privately sell specified tax-forfeited lands bordering public water by public or private sale, provided the conveyance is in a form specified by the state attorney general (standard practice), and the county decides that the sale is in the best interests of the county's land management.

Effective date: None specified so August 1, 2003.

Proceeds of Sales**State General Levy; Payments on Tax-Forfeited Land
Chapter 127, Article 5, Section 34**

Amends M.S. 282.08

Requires county auditors to pay the unpaid state general property tax levy amount to the state for each parcel of tax-forfeited land from the net proceeds of the sale or lease of that parcel.

Effective date: Taxes payable in 2004 and thereafter.

Miscellaneous Property Tax Laws

County Personnel

Licenses and Fees for Assessors SS Chapter 1, Article 2, Section 79

Amends M.S. 270.44

Increases the annual license and fees for assessors so that the board of assessors meets the requirements in M.S. 214.06:

- SAMA license: \$105;
- AMA license: \$80;
- CMAS license: \$65;
- CMA license: \$55;
- Course challenge exam: \$50;
- Grading a form appraisal: \$35;
- Reinstatement fee: \$30;
- Educational transcript: \$20;
- Retests for board sponsored courses: \$30.

Effective date: License terms beginning on or after July 1, 2004, and fees imposed on or after July 1, 2004.

Local Assessor Residency Requirements Chapter 127, Article 5, Section 11

Amends M.S. 273.05, subdivision 1

Eliminates the requirement that local assessors be residents of the state.

Effective date: May 26, 2003, and applies to every local assessor whether that assessor was appointed before, on, or after the effective date.

Assessors; Compatible Offices Chapter 127, Article 5, Section 12

Amends M.S. 273.061 by adding subdivision 1a

Provides that the person appointed as county assessor may also serve as the county auditor, county treasurer, or county auditor-treasurer if those offices are appointive, but then must not serve on the county board of appeal and equalization. Also prevents the county board from delegating any authority, power or responsibility to the county auditor if the offices of the county assessor and county auditor or auditor-treasurer are combined.

Effective date: January 2, 2004, and thereafter.

Assessors; Compatible Offices in Counties Changing to Appointed Auditor Chapter 127, Article 5, Section 13

Amends M.S. 273.061 by adding subdivision 1b

Provides that, in a county where the office of auditor, treasurer or auditor-treasurer is an elective position, the person appointed as county assessor also may serve as county auditor, treasurer, or county auditor-treasurer in that county if the office of auditor, treasurer, or auditor-treasurer is changing to an appointed office within five years.

Effective date: January 2, 2004, and thereafter.

Assessors; Incompatible offices Chapter 127, Article 5, Section 14

Amends M.S. 273.061 by adding subdivision 1c

Provides that appointed county, city, or town assessors may not also serve in certain elected positions.

- An appointed county assessor must not also serve as:
 - The county attorney;
 - County board member;
 - Elected county auditor, treasurer, or auditor-treasurer;
 - Town board supervisor for a town in the same county; or
 - City mayor or council member for a town in the same county.
- An appointed city assessor must not also serve as a mayor or city council member for the same city.
- An appointed town assessor must not also serve as a town board supervisor for the same town.

An assessor who accepts an incompatible elected position is considered to have resigned from the assessor position.

Effective date: January 2, 2004, and thereafter.

Local Boards of Appeal and Equalization Chapter 127, Article 5, Section 22

Amends M.S. 274.01, subdivision 1

Clarifies that local boards of appeal and equalization do not have the authority to remove property from the property tax rolls.

Effective date: May 26, 2003, and thereafter.

Local Boards of Appeal and Equalization; Appeals and Equalization Course and Meeting Requirements Chapter 127, Article 2, Section 16

Adds M.S. 274.014

Requires the commissioner of revenue, by no later than January 1, 2005, to develop a handbook detailing procedure, responsibilities, and requirements for the local boards of appeal and equalization. The handbook must include:

- Role of the local board in the assessment process;
- Legal and policy reasons for fair and impartial hearings;
- Local board meeting procedures that foster fair and impartial assessment reviews and best practices;
- Quorum requirements for local boards; and
- Explanations of alternate methods of appeal.

Provides that by no later than January 1, 2006, and each year thereafter, there must be at least one member at each local board of appeal and equalization meeting who has attended an appeals and equalization course developed or approved by the commissioner of revenue within the last four years. Allows the course to be offered in conjunction with a meeting of the Minnesota League of Cities or the Minnesota Association of Townships. A review of the handbook must be included in the course.

Also requires that all cities and towns must provide proof to the county assessor by December 1, 2006, and each year thereafter, of having:

- At least one member at each local board of appeal and equalization meeting who has attended the appeals and equalization course in the last four years; and
- A quorum at each local board of appeal and equalization meeting in the prior year.

Any city or town that fails to provide such proof is deemed to have transferred its board of appeal and equalization powers to the county for the following year's assessment.

Requires the county to notify taxpayers when the board of appeal and equalization for a city or town has been transferred. Prior to the county board of appeal and equalization meeting, the county shall make available to those taxpayers a procedure for reviewing their assessments such as open book meetings. This alternate review process shall take place in April or May.

Provides that a local board of appeal and equalization whose powers have been transferred to the county for failing to meet these requirements, may be reinstated by resolution of the governing body of the city or town upon proof that one of the members of its local board of appeal and equalization has attended the appeals and equalization course. Resolution and proof must be provided to the county assessor by December 1 to be effective for the following year's assessment.

Effective date: May 26, 2003, and thereafter.

County Boards of Appeal and Equalization Chapter 127, Article 5, Section 23

Amends M.S. 274.13, subdivision 1

Clarifies that county boards of appeal and equalization do not have the authority to remove property from the property tax rolls.

Effective date: May 26, 2003, and thereafter.

Recorder; Rock County Chapter 43, Section 2

Does not amend, add to or repeal existing Minnesota Statutes or Laws

An uncodified law that allows the Rock County Board of Commissioners to fill the county recorder position by appointment, rather than by election. Requires a public hearing to be held prior to the board's decision to make the county recorder position appointed.

Effective date: Upon local approval.

General Provisions

Local Fiscal Impacts; Definition of Political Subdivision SS Chapter 21, Article 11, Section 1

Amends M.S. 3.986, subdivision 4

Adds school district to the definition of political subdivision. Defines a "political subdivision" as a school district, county, or home rule charter or statutory city. This definition is used in the local fiscal impacts statute which provides for local impact notes for state mandated actions and discusses reimbursements to local political subdivisions for costs of state mandates.

Effective date: July 1, 2003.

**Commissioner of Revenue; Rulemaking Authority
Chapter 127, Article 5, Section 1**

Amends M.S. 270.06

Clarifies that the commissioner of revenue may make, publish and distribute rules for laws administered and enforced by the commissioner of revenue, as well as rules dealing with state tax laws. This will clarify that the commissioner has rulemaking authority for purposes of administering the Sustainable Forest Incentives Act.

Effective date: May 26, 2003, and thereafter.

**Report to Legislature; Limited Market Value and
Valuation Exclusion for Certain Improvements
Chapter 2, Article 1, Section 30**

Amends M.S. 273.1106

Changes a cross-reference in the statute that requires the commissioner of revenue to submit annual limited market value and "This Old House" reports to the legislature by March 1. The statute incorrectly referred to M.S. 273.13, but was corrected to reference M.S. 273.11.

Effective date: None specified so August 1, 2003.

**Notice to Secretary of State, Others; Recording;
Copies
Chapter 2, Article 5, Section 6**

Amends M.S. 365.46, subdivision 2

Changes a reference to Minnesota municipal board to the director of the office of strategic and long-range planning. The statute provides that the auditor is to send a copy of the notice of dissolution to the state demographer, land management information center, director of the office of strategic and long-range planning and the commissioner of transportation.

Effective date: None specified so August 1, 2003.

**Auditor to Abstract Report for Agencies, Enter Town
Record
Chapter 2, Article 5, Section 7**

Amends M.S. 379.05

Changes a reference to Minnesota municipal board to the director of the office of strategic and long-range planning. The statute provides that after any such town is organized, the county auditor is to notify within 30 days, the commissioner of revenue, secretary of state, state demographer, land management information center, director of the office of strategic and long-range planning and the commissioner of transportation.

Effective date: None specified so August 1, 2003.

**Joint Exercise of Powers; Agreement
SS Chapter 14, Article 7, Section 83**

Amends M.S. 471.59, subdivision 1

Clarifies that the term "governmental unit" as used in this section also means non-profit hospitals licensed under M.S. 144.50-144.56 (in addition to cities, counties, towns, school districts, state, University of Minnesota, any agency of the state of Minnesota or the United States). This statute provides that two or more governmental units may jointly or cooperatively exercise their powers.

Effective date: None specified so August 1, 2003.

Mortgage and Deed Taxes

**June Accelerated Mortgage Registry Tax
SS Chapter 21, Article 9, Section 4**

Amends M.S. 287.12

Requires counties to remit the state's portion of the June mortgage registry receipts collected through June 25 and the estimated state's portion of the receipts to be collected during the remainder of the month to the commissioner of revenue two business days before June 30 of each year. The remaining amount of the June receipts is due on August 20.

Effective date: January 1, 2004.

**June Accelerated Deed Tax
SS Chapter 21, Article 9, Section 5**

Amends M.S. 287.29, subdivision 1

Requires counties to remit the state's portion of the June deed registry receipts collected through June 25 and the estimated state's portion of the receipts to be collected during the remainder of the month to the commissioner of revenue two business days before June 30 of each year. The remaining amount of the June receipts is due on August 20.

Effective date: January 1, 2004.

**Penalty for Underpayments of Accelerated Mortgage
Registry and Deed Taxes
SS Chapter 21, Article 9, Section 6**

Amends M.S. 287.31 by adding subdivision 3

Provides for a 10 percent penalty to be imposed on a county that fails to timely remit the state portion of the June mortgage and deed tax receipts.

However, the penalty will not be imposed if the amount remitted in June equals either:

- 90 percent of the state's portion of the preceding May's receipts; or
- 90 percent of the average monthly amount of the state's portion for the previous calendar year.

Effective date: January 1, 2004.

Sustainable Forest Incentives Act

Definition of Claimant

Chapter 127, Article 5, Section 35

Amends M.S. 290C.02, subdivision 3

Clarifies that for purposes of the early termination penalties of the Sustainable Forest Incentives Act, "claimant" also includes persons (individuals, fiduciaries, estates, trusts, and partnerships and may, where the context requires, include corporations) bound by the covenant. Claimant means a person who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Act.

Also clarifies that "one claimant per parcel" means there may be only one claimant for each parcel that has been assigned a unique identification number by the county. This means that, in the case of enrolled forest land owned by two or more persons, the owners must determine between them which person may claim the payments.

Effective date: May 26, 2003, and thereafter.

Terminology

Chapter 127, Article 5, Section 36-41

Amends M.S. 290C.02, subdivision 7; M.S. 290C.03; M.S. 290C.07; M.S. 290C.09; M.S. 290C.10; and M.S. 290C.11

Replaces "property" with "land" throughout the Sustainable Forest Incentive Act to make the statute more consistent.

Effective date: May 26, 2003, and thereafter.

Death of Claimant

Chapter 127, Article 5, Section 42

Adds M.S. 290C.12

Provides that within one year of the death of the original claimant, the claimant's heir, devisee or estate must either:

- Notify the commissioner of its choice to terminate the program without penalty; or
- Make an application to continue enrollment of the land in the program without a break, provided the application is approved.

If the commissioner is not notified within one year, enrollment in the program will be terminated without penalty.

Effective date: May 26, 2003, and thereafter, except that if a claimant has already died, the election may be made within six months of the effective date or within one year of the claimant's death, whichever is later.

Tax Court

Tax Court Filing Fee

SS Chapter 2, Article 2, Section 1

Amends M.S. 271.06, subdivision 4

Increases the appeal fee in the small claims division of tax court to \$150 (from \$25).

Effective date: July 1, 2003.

Utility and Railroad Valuation Appeals

Chapter 127, Article 5, Section 20

Amends M.S. 273.372

Clarifies that utility and railroad companies appealing their taxability, valuation or classification determined by the department of revenue may bring a single action against the commissioner, not against each county or taxing district where the affected property is located.

Effective date: May 26, 2003, and thereafter.

Tax Court Appeal Deadlines

Chapter 127, Article 2, Section 18

Amends M.S. 278.01, subdivision 4

Corrects two dates that were inadvertently not changed when the tax court filing deadline was changed in the 2002 omnibus tax bill:

- The tax court appeal deadline was corrected to April 30 (instead of March 31);
- The deadline for the owner responsible for payment of the tax to receive notice of a change in exempt status, valuation or classification was corrected to February 28 (from January 31) of the taxes payable year. An eligible petitioner has 60 days from the date of the mailing of the notice to initiate an appeal.

Effective date: Taxes payable in 2003 and thereafter.

Dismissal of Petition; Exclusion of Certain Evidence Chapter 127, Article 2, Section 19

Amends M.S. 278.05, subdivision 6

Changes the date when income and expense information for income-producing property must be provided to the county assessor. The petitioner is to provide this information to the county assessor no later than 60 days after the tax court filing deadline (generally April 30). Previously, the information had to be submitted within 60 days after the petition had been filed.

Allows the court to grant a 30-day extension, if the petitioner was not aware or informed of the requirement to provide this information to the county assessor. The petitioner will have an additional 30 days to provide the information from the time the petitioner became aware or was informed of this requirement. This change will allow the court some flexibility in granting additional time to the petitioner to provide the information, instead of dismissing the petition. This extension is most likely to be granted when the petitioner is not represented by an attorney (i.e., pro se).

Effective date: Petitions filed on or after July 1, 2003.

Titles to Property

Manufactured Homes; Statement of Property Tax Payment Chapter 127, Article 2, Section 2

Amends M.S. 168A.05, subdivision 1a

Specifies that all manufactured home personal property taxes levied on the unit in the name of the current owner at the time of transfer must be paid before the manufactured home's title can be transferred by the registrar of motor vehicles.

Initially enacted in Laws 2002, Chapter 377, Article 4, Section 1 (the 2002 Omnibus tax law), this subdivision required a statement from the county auditor or county treasurer certifying that all personal property taxes levied on the unit that were due at the time of transfer had been paid. This clarifies that all of the manufactured home's personal property taxes levied on the unit in the name of the current owner at the time of transfer must be paid.

Effective Date: Certificates of title issued by the registrar of motor vehicles on or after July 1, 2003.

Conveyances, Taxes Paid Before Recording Chapter 127, Article 5, Section 10

Amends M.S. 272.12

Allows certain documents of an existing common interest community (CIC) to be recorded without certification as to the current or delinquent taxes on any of the units in the CIC.

Effective date: Deeds or instruments accepted for recording or registration on or after July 1, 2003.

Common Interest Community; Taxes Paid Before Recording Chapter 127, Article 5, Section 45

Amends M.S. 515B.1-116

Changes the provision allowing certain documents of an existing CIC to be recorded without paying all delinquent and current year property taxes. With the change, CICs will be allowed to record documents amending their plans without paying tax only if it does not create or change unit or common area boundaries. Eliminates the provision that the assessor certifies or informs the recording officer that taxable values have been allocated to each unit or each unit has been separately assessed for taxes payable in the current year.

Effective date: Deeds or instruments accepted for recording or registration on or after July 1, 2003.

Job Opportunity Building Zones

Job Opportunity Building Zone; Application for Designation of Zones SS Chapter 21, Article 1, Section 18

Adds M.S. 469.313

Provides rules for one or more local governments to apply for designation as a job opportunity building zone. All or part of the area comprising the zone must be located within the boundaries of each of the local governments applying for zone designation. A local government may not apply for more than one designation.

The application must include:

- A development plan;
- The proposed duration of the zone (maximum of 12 years);

- Resolutions or ordinances adopted by all of the cities, towns and counties that comprise the zone agreeing to provide local sales and use tax exemptions; or resolutions or ordinances indicating whether the property tax exemption was granted;
- Written consent to remove property from a border city development zone if it is currently part of a border city development zone;
- An agreement by the applicant to treat incentives provided under the zone designation as business subsidies and to comply with the requirements of the business subsidy law; and
- Supporting evidence to allow the commissioner of DEED (formerly DTED) to evaluate the application.

Effective date: June 9, 2003, and thereafter.

Job Opportunity Building Zone; Tax Incentives Available in Zones
SS Chapter 21, Article 1, Section 20

Adds M.S. 469.315

Provides for the following tax incentives for qualified businesses that operate in a job opportunity building zone, individuals who invest in a qualified business that operates in a job opportunity building zone and property located in a job opportunity building zone:

- Exemption from individual income tax on income from business operations and investments for business owners;
- Exemption from corporate franchise taxes on income generated by operations in the zone;
- Exemption from state and local sales and use taxes on qualifying purchases by businesses in a job opportunity building zone;
- Exemption from state and local sales tax on qualifying motor vehicle purchases by businesses in a job opportunity building zone;
- Exemption from property tax on improvements;
- Exemption from the wind energy production tax on wind energy conversion systems located in a job opportunity building zone;
- The jobs credit for businesses in the job opportunity building zone.

Note: See M.S. 272.02, subdivision 64 on page 5 for the property tax exemption. See M.S. 272.029, subdivision 7 on page 6 for the wind energy production tax exemption.

Effective date: June 9, 2003, and thereafter.

Job Opportunity Building Zones; Repayment of Tax Benefits

SS Chapter 21, Article 1, Section 24

Adds M.S. 469.319

A business must repay the amount of tax benefits received if the business:

- Received tax reductions; and
- Failed to meet the goals that were agreed upon in order to be eligible for the tax benefits. The commissioner of DEED (formerly DTED) may grant an extension of up to one year to allow the business to meet any goals provided in the agreement. The applicant may extend the period for meeting goals by documenting, in writing, the reason for the extension and attaching a copy of the document to its next annual report to the commissioner of DEED; or
- Ceased to operate in the job opportunity building zone or is not a qualified business.

The provision requires the repayment of the two previous years of benefits received before the business failed to meet its goals or ceased to operate in the job opportunity building zone.

Repayment must be made as follows:

- State tax reductions must be paid to the state;
- Property tax reductions/exemptions are to be paid to the county – payments must be distributed to the taxing authorities in the same manner as delinquent property taxes are distributed; and
- Local sales taxes must be repaid to the city or county imposing the local tax.

For repayment of property taxes, the county auditor should prepare a tax statement for the business applying the applicable tax rates for each assessment year. A reduction is deemed to have been received on the date that the tax would have been due if the taxpayer had not been entitled to the exemption. The business must repay the taxes to the county treasurer within 30 days after receiving the tax statement. The business may appeal the valuation and determination of the property tax to the tax court within 30 days after receipt of the tax statement. If the property tax is not repaid within 30 days, the county treasurer should add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year the treasurer discovers that the business ceased to operate in a job opportunity building zone.

The commissioner of revenue may waive all or part of a repayment after consulting with the commissioner of DEED and the affected local government units it is deemed that repayment is not in the best interest of the state or local government units and the business ceased to operate as a result of circumstances out of its control such as:

- A natural disaster;
- Unforeseen industry trends; or
- Loss of a major supplier or customer.

Effective date: June 9, 2003, and thereafter.

Job Opportunity Building Zone; Zone Performance; Remedies
SS Chapter 21, Article 1, Section 25

Adds M.S. 469.320

Provides that applicants receiving designation as a job opportunity building zone must annually report to the commissioner of DEED (formerly DTED):

- Progress in meeting the zone performance goals under the development plan for the zone; and
- Compliance with the business subsidy law.

Based on the information filed, the commissioner of DEED may take action the commissioner considers appropriate, such as:

- Modifying the boundaries of the zone or subzone; or
- Terminating the zone or subzone.

Before taking action, the commissioner must consult with the applicant and affected local governments and provide notification of the proposed action. The applicant may appeal the commissioner's action.

Provides that the commissioner's action to remove area from a zone or terminate a zone does not apply to:

- Property tax on improvements made before the first January 2 following publication of the commissioner's orders;
- Sales tax on purchases made before the first day of the next calendar month beginning at least 30 days after publication of the commissioner's orders; and
- Individual income tax or corporate franchise tax attributable to a facility that was in operation before the publication of the commissioner's orders.

These tax benefits terminate on the date on which the zone expires under the original designation.

Effective date: June 9, 2003, and thereafter.

Biotechnology and Health Science Zones

Biotechnology and Health Science Zone; Application for Designation of Zones
SS Chapter 21, Article 2, Section 12

Adds M.S. 469.333

Provides rules for one or more local governments to apply for designation as a biotechnology and health sciences industry zone. All or part of the area comprising the zone must be located within the boundaries of each of the local governments applying for zone designation. A local government may not apply for more than one designation.

The application must include:

- A development plan;
- The proposed duration of the zone (maximum of 12 years);
- Resolutions or ordinances adopted by all of the cities, towns and counties that comprise the zone agreeing to provide local sales and use tax exemptions; or resolutions or ordinances indicating whether the property tax exemption was granted;
- An agreement by the applicant to treat incentives provided under the zone designation as business subsidies and to comply with the requirements of the business subsidies law; and
- Supporting evidence to allow the commissioner of DEED (formerly DTED) to evaluate the application.

Effective date: June 9, 2003, and thereafter.

Biotechnology and Health Science Zone; Tax Incentives Available in Zones
SS Chapter 21, Article 2, Section 15

Adds M.S. 469.336

Provides for the following tax incentives for qualified businesses that operate in a biotechnology and health sciences industry zone, individuals who invest in a qualified business that operates in a biotechnology and health sciences industry zone and property located in a job opportunity building zone:

- Exemption from property tax on improvements;
- Exemption from corporate franchise taxes on income generated by operations in the biotechnology and health sciences industry zone;
- Exemption from state and local sales and use taxes on qualifying business purchases in a biotechnology and health sciences industry zone;

- Research and development credits for businesses in a biotechnology and health sciences industry zone;
- The jobs credit for businesses in a biotechnology and health sciences industry zone.

Note: See M.S. 272.02, subdivision 65 on page 5 for the property tax exemption.

Effective date: June 9, 2003, and thereafter.

Biotechnology and Health Science Zone; Repayment of Tax Benefits
SS Chapter 21, Article 2, Section 19

Adds M.S. 469.340

A business must repay the amount of tax benefits received if the business:

- Received tax reductions; and
- Failed to meet the goals that were agreed upon in order to be eligible for the tax benefits. The commissioner of DEED (formerly DTED) may grant an extension of up to one year to allow the business to meet any goals provided in the agreement. The applicant may extend the period for meeting goals by documenting, in writing, the reason for the extension and attaching a copy of the document to its next annual report to the commissioner of DEED; or
- Ceased to operate in the biotechnology and health sciences industry zone or is not a qualified business.

The provision requires the repayment of the two previous years of benefits received before the business failed to meet its goals or ceased to operate in the biotechnology and health sciences industry zone.

Repayment must be made as follows:

- State tax reductions must be paid to the state;
- Property tax reductions/exemptions are to be paid to the county – payments must be distributed to the taxing authorities in the same manner as delinquent property taxes are distributed; and
- Local sales taxes must be repaid to the city or county imposing the local tax.

For repayment of property taxes, the county auditor should prepare a tax statement for the business applying the applicable tax rates for each assessment year. A reduction is deemed to have been received on the date that the tax would have been due if the taxpayer had not been entitled to the

exemption. The business must repay the taxes to the county treasurer within 30 days after receiving the tax statement. The business may appeal the valuation and determination of the property tax to the tax court within 30 days after receipt of the tax statement. If the property tax is not repaid within 30 days, the county treasurer should add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year the treasurer discovers that the business ceased to operate in a biotechnology and health sciences industry zone.

The commissioner of revenue may waive all or part of a repayment after consulting with the commissioner of DEED and the affected local government units if it is deemed that repayment is not in the best interest of the state or local government units and the business ceased to operate as a result of circumstances out of its control such as:

- A natural disaster;
- Unforeseen industry trends; or
- Loss of a major supplier or customer.

Effective date: June 9, 2003, and thereafter.

Biotechnology and Health Science Zone; Zone Performance; Remedies
SS Chapter 21, Article 2, Section 20

Adds M.S. 469.341

Provides that applicants receiving designation as biotechnology and health sciences industry zone must annually report to the commissioner of DEED (formerly DTED):

- Progress in meeting the zone performance goals under the development plan for the zone; and
- Compliance with the business subsidy law.

Based on the information filed, the commissioner of DEED may take action the commissioner considers appropriate, such as:

- Modifying the boundaries of the zone or subzone; or
- Terminating the zone or subzone.

Before taking action, the commissioner must consult with the applicant and affected local governments and provide notification of the proposed action. The applicant may appeal the commissioner's action.

Provides that the commissioner's action to remove area from a zone or terminate a zone does not apply to:

- Property tax on improvements made before the first January 2 following publication of the commissioner's orders;
- Sales tax on purchases made before the first day of the next calendar month beginning at least 30 days after publication of the commissioner's orders; and
- Individual income tax or corporate franchise tax attributable to a facility that was in operation before the publication of the commissioner's orders.

These tax benefits terminate on the date on which the zone expires under the original designation.

Effective date: June 9, 2003, and thereafter.

Repealed Property Tax Laws

Repealer

SS Chapter 19, Article 2, Section 79

Repeals M.S. 174.242

Repeals greater Minnesota property tax replacement aid.

Effective date: June 9, 2003.

Repealer

SS Chapter 21, Article 4, Section 13

Repeals M.S. 272.02, subdivision 26; and M.S. 275.065, subdivision 3a

Repeals an obsolete low-income housing exemption that was enacted for certain property that no longer qualifies for the exemption.

Also repeals the definition of constant spending levy amount, which is no longer needed due to the changes in the requirements of the TNT notice.

Note: See change to M.S. 275.065, subdivision 3 on page 35 for changes to the TNT notice.

Effective date: Taxes payable in 2004.

Repealer

SS Chapter 21, Article 6, Section 17

Repeals M.S. 273.138; 273.1398, subdivisions 2, 2c, and 4d; M.S. 273.166; M.S. 477A.0121; M.S. 477A.0122; M.S. 477A.0123; M.S. 477A.0132; M.S. 477A.03, subdivision 3; M.S. 477A.07

Repeals the following:

- Attached machinery aid for counties and school districts;
- HACA for counties;
- Manufactured home HACA;
- County criminal justice aid;
- Family preservation aid;
- Out-of-home placement aid;
- Outdated aid reductions that occurred in 1996 and 1997;
- Inflation adjustment for various aid appropriations; and
- Rental housing tax base replacement aid;

Effective date: Aids payable in 2004 and thereafter, except that the repeal of attached machinery for school districts is effective for calendar year 2003.

Repealer

Chapter 127, Article 5, Section 50

Repeals M.S. 274.04; M.S. 477A.065; Minnesota Rules 8106.0100, subparts 11, 15, and 16; and 8106.0200

Repeals the following:

- An obsolete section concerning the assessor's assessment books, which are now prepared electronically. No effective date was specified so August 1, 2003;
- New construction low-income housing aid based on the NTC of class 4d properties constructed after January 1, 1999. However, class 4d no longer has a separate class rate or qualification requirements as of taxes payable in 2004. This is effective for aid payable in 2004 and thereafter; and
- Obsolete and duplicative railroad valuation rules. Effective May 26, 2003.

Effective date: Varies (see above).

Repealer

Chapter 127, Article 11, Section 13

Repeals M.S. 298.24, subdivision 3

Repeals an obsolete credit on iron ore concentrate produced when taxes are imposed to pay principal and interest on bonds issued by a school district or city.

Effective date: Concentrates produced after January 1, 2003.

Repealer

Chapter 127, Article 13, Section 9

Repeals M.S. 473.711, subdivision 2b, and M.S. 473.714, subdivision 2

Repeals the following provisions for the mosquito control district:

- An obsolete HACA adjustment; and
- Reimbursements for travel expenses of mosquito control district commissioners with an annual public salary of \$25,000 or more.

Effective date: May 26, 2003.

Repealer**SS Chapter 21, Article 5, Section 14**

Repeals M.S. 477A.011, subdivision 37; M.S. 477A.0132; M.S. 477A.03, subdivisions 3 and 4; M.S. 477A.06; and M.S. 477A.07

Repeals:

- LGA base reduction percentage;
- Outdated aid reductions that occurred in 1996 and 1997;
- Inflation adjustment for various aid appropriations;
- Additional appropriation for city LGA of \$450,000 for 1999 through 2008;
- Existing low-income housing aid; and
- Rental housing tax base replacement aid.

Effective date: Aids payable in 2004 and thereafter.

Repealer**Chapter 2, Article 1, Section 45**

Repeals Laws 1997, Chapter 233, Article 1, Section 12

Repeals this law to eliminate contradictory provisions for M.S. 69.021, subdivision 11, which relates to balances in the excess police state aid holding account in the state treasury on October 1, 1997, 1999, and 2000. Under the retained language for M.S. 69.021, subdivision 11, annual excesses in the account cancel to the general fund.

Effective date: None specified so August 1, 2003.

Repealer**SS Chapter 1, Article 2, Section 136**

Repeals Minnesota Rules 1950.1070

Repeals board of assessor fees as this rule will become obsolete when the new fees take effect.

Note: See changes to M.S. 270.44 on page 40 for the new fees.

Effective date: July 1, 2004.

A

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