

MINNESOTA • REVENUE

2006
Property Tax Law
Summary

**2006 Minnesota
Legislative Session**

**Property Tax Division
June 2006**

Memo from the Director

Date: June 21, 2006
To: All Property Tax Administrators
From: Gordon Folkman, Director
Property Tax Division
Subject: 2006 Property Tax Law Summary

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 2006 legislative session.

The purpose of the *Summary of 2006 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 2006 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. 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 Shawn Wink at (651) 556-6095 or shawn.wink@state.mn.us.

Acknowledgement

The *Summary of 2006 Property Tax Laws* could not have been produced without the knowledge and skills of many people inside and outside the Property Tax Division of the Department of Revenue.

The Property Tax Division wishes to acknowledge the contributions of the Appeals and Legal Services Division of the Department of Revenue and the House Research Department of the Minnesota House of Representatives. They were an invaluable source of information for developing the law summary.

Abbreviations

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

CDA	Community Development Agency
DOR	Department of Revenue
DRA	Disparity Reduction Aid
EDA	Economic Development Authority
EMS	Emergency Medical Services
H.F.	House File
HRA	Housing and Redevelopment Authority
ISD	Independent School District
JOBZ	Job Opportunity Building Zone
LGA	Local Government Aid
S.F.	Senate File
SS	Special Session
SFIA	Sustainable Forest Incentive Program
TIF	Tax Increment Financing

Laws Included in this Summary

Laws 2006

Subject	House File Number	Senate File Number	Chapter Number in Laws	Date Enacted
Appointive offices.	H.F. 3263	/ S.F. 1878	173	March 31, 2006
Revisor's bill.	H.F. 3488	/ S.F. 3128	212	May 18, 2006
Credit and debit card use task force established.	H.F. 2944	/ S.F. 2528	219	May 21, 2006
Mechanics lien provisions modified.	H.F. 3073	/ S.F. 2519	221	May 21, 2006
Public and private land sales and exchanges authorized; and Itasca County tax-forfeited land proceeds allocated.	H.F. 3397	/ S.F. 2851	236	May 26, 2006
Baseball stadium financing, construction, and operation provided; Minnesota Ballpark Authority established.	H.F. 2480	/ S.F. 2297	257	May 26, 2006
Omnibus tax bill.	H.F. 785	/ S.F. 318	259	June 1, 2006
Boundary adjustment provisions modified and municipal boundary adjustment task force established.	H.F. 3302	/ S.F. 2934	270	June 1, 2006
Pension related provisions.	H.F. 2362	/ S.F. 2239	271	June 1, 2006
Biotech and health science industry zones authorized.	H.F. 3561	/ S.F. 3260	276	May 26, 2006
Natural resources provisions modifications	H.F. 3200	/ S.F. 2973	281	June 1, 2006

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Property Assessment

Abatements

Business Subsidy

Chapter 259, Article 4, Section 1

Amends M.S. 116J.993, subd. 3

Adds property tax abatements granted to utility property to the list of forms of financial assistance that are not considered a business subsidy.

Effective date: July 1, 2006

Abatements; Authority

Chapter 259, Article 4, Section 14

Amends M.S. 469.1813, subd. 1

The provision amends the economic development abatement law by:

- Allowing a political subdivision to grant a current or prospective abatement;
- Allowing a political subdivision to grant an abatement by contract or otherwise;
- Allowing a political subdivision to grant an abatement on personal property; and
- Adding the stabilization of the tax base through equalization of the property tax revenues from a utility property as a basis for granting an abatement because it is found to be in the public interest to do so.

Effective date: July 1, 2006

Abatements; Duration Limit

Chapter 259, Article 4, Section 15

Amends M.S. 469.1813, subd. 6

Clarifies that the 15 year abatement period starts in the first year in which the abatement granted is either paid or retained.

Also provides that the abatements for utility property are not subject to the 8 year prohibition on new abatements after the first abatement has expired, and instead may be granted successively.

Effective date: July 1, 2006

Abatements; Extended Duration Limit

Chapter 259, Article 4, Section 16

Amends M.S. 469.1813, subd. 6b

Adds a utility business to the list of qualified businesses which qualify for an abatement duration extension of up to 20 years. The authority to grant such extension expired on July 1, 2004, but this provision provides that this authority does not expire as it relates to a utility business.

Effective date: July 1, 2006

Abatements; Limitation on Abatements

Chapter 259, Article 4, Section 17

Amends M.S. 469.1813, subd. 8

Exempts utility owners from the limitation on abatements, that limits abatements to the greater of ten percent of the total levy of the political subdivision or \$200,000.

Effective date: July 1, 2006

Abatements; Consent of Property Owner

Chapter 259, Article 4, Section 18

Amends M.S. 469.1813, subd. 9

Provides that the current law that a political subdivision may abate taxes without obtaining the consent of the property owner does not apply to abatements granted to utility properties.

Effective date: July 1, 2006

Abatements; Applicability to Utility Properties

Chapter 259, Article 4, Section 19

Amends M.S. 469.1813 by adding subdivision 10

Provides that the application of the abatement laws to utility property applies only to property that is specified or described in an abatement contract or agreement.

Effective date: July 1, 2006

General Provisions

Reassessment; Reimbursement by Counties Chapter 212, Article 1, Section 14

Amends M.S. 270C.96

Clarifies that the costs for a reassessment ordered by the Commissioner of Revenue will be reimbursed through a tax on the affected property regardless of who pays the tax. Previously the language stated that the cost would be recovered through a tax on the affected property paid by the owner.

Effective date: August 1, 2006

Wind Energy Conversion Systems Definition Chapter 259, Article 4, Section 10

Amends M.S. 272.029, subd. 2

Expands the definition of wind energy conversion systems to include substations used and owned by one or more wind energy conversion facilities. The expanded definition is significant because wind energy conversion systems pay a production tax instead of property tax.

Effective date: For property taxes levied in 2006, payable 2007, and thereafter.

Assessment; Omitted Property Chapter 212, Article 3, Section 23

Amends M.S. 273.03, subd. 3

Deletes two obsolete statute references.

M. S. 274.04, was repealed by Laws 2003, chapter 127, article 5, section 50; and M.S. 274.05, was repealed by Laws 2005, chapter 151, article 5, section 46.

Effective date: August 1, 2006

Agricultural Property Tax; Green Acres Chapter 212, Article 3, Section 24

Amends M.S. 273.111, subd. 3

Corrects an erroneous reference.

Effective date: August 1, 2006

Homesteads

Homestead of Member of United States Armed Forces Chapter 259, Article 4, Section 12

Amends M.S. 273.124, subd. 12

Provides homestead classification for property acquired by an individual who is absent from Minnesota solely because he/she is on active duty with the armed forces even if the property has not been occupied as a homestead by the person or a member of that person's family. In order to qualify, the person acquiring the property must notify the county assessor of the acquisition and his/her absence due to military service. When the person returns from service and notifies the assessor, the assessor must grant an abatement for the difference between the nonhomestead and homestead taxes for the current year and the preceding two years, not to exceed the time during which the person owned the property.

Effective date: For assessments in 2006, taxes payable 2007, and thereafter.

Exemptions

Utility Mandate Cross-reference Chapter 259, Article 4, Section 4

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

Corrects a cross-reference to allow a specified facility in the subdivision to qualify for the personal property exemption under M.S. 272.02 subd. 45. Prior to the correction the section incorrectly referenced subdivision 43.

Effective date: For property taxes levied in 2006, payable 2007, and thereafter.

Electric Generation Facility; Personal Property Exemption Chapter 259, Article 4, Section 9

Amends M.S. 272.02 by adding subdivision 84

Exempts attached machinery and other personal property which is part of a 10.3 megawatt run-of-the-river hydroelectric generation facility. At the time of construction, the facility must:

- Utilize between 12 and 16 turbine generators at a dam site operating on March 31, 1994;

- Be located on land within 3,000 feet of a 13.8 kilovolt distribution substation; and
- Be eligible to receive a renewable energy incentive production payment under M.S. 216C.41.

In order to be eligible for the exemption, construction of the facility must be commenced after April 30, 2006, 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.

Effective date: For property taxes levied in 2006, payable 2007, and thereafter

**Biomass Electric Generation Facility; Personal Property Exemption
Chapter 259, Article 4, Section 5**

Amends M.S. 272.02, subd. 45

Extends the date by which a biomass electric generation facility was to commence construction to be eligible for a property tax exemption on its personal property. Provides that the construction must commence by December 31, 2005.

Effective date: For property taxes levied in 2006, payable 2007, and thereafter.

**Electric Generation Facility; Personal Property Exemption
Chapter 259, Article 4, Section 6**

Amends M.S. 272.02, subd. 53

Extends the date by which a electric generation facility is to commence construction to be eligible for a property tax exemption on its personal property. Provides that the construction must commence by January 1, 2009.

Effective date: For property taxes levied in 2006, payable 2007, and thereafter.

**Small Biomass Electric Generation Facility; Personal Property Exemption
Chapter 259, Article 4, Section 7**

Amends M.S. 272.02, subd. 54

Extends the date by which a small biomass electric generation facility is to commence construction to be eligible for a property tax exemption on its personal property. Provides that the construction must commence by January 1, 2008 and that the exemption is

contingent on approval by the governing bodies of the city and county where the facility is proposed to locate.

Effective date: For property taxes levied in 2008, payable 2009, and thereafter.

**Electric Generation Facility; Personal Property Exemption
Chapter 259, Article 4, Section 8**

Amends M.S. 272.02, subd. 55

Changes the criteria for an exemption of attached machinery and other personal property which is part of an electric generation facility. At the time of construction, the facility must:

- Be designated as an innovative energy project;
- Be within the taconite relief area;
- Have access to existing railroad infrastructure within less than three miles;
- Have received by resolution approval from the county and city or township in which it is to be located; and
- Be designed to host at least 500 megawatts of electrical generation.

Extends the dates for commencement of construction to be eligible for the exemption. Construction of the first 500 megawatts of the facility must be commenced before January 1, 2010, and construction up to an additional 750 megawatts must be commenced before January 1, 2015. This exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Provides that the owner of the facility must have an agreement with the host county, city/township, and school district for a payment in lieu of tax.

Effective date: The day following final enactment (June 2, 2006).

**Minnesota Ballpark Authority; Exemption
Chapter 257, Section 8**

Adds M.S. 473.753

Exempts from property taxation any property acquired, owned, leased, controlled, used, or occupied by the Minnesota Ballpark Authority. The exemption also applies to property leased by the authority for specific purposes, not including property leased for residential, business or commercial development.

The property is subject to special assessments.

Effective date: The day following final enactment (May 27, 2006).

Property Classification

Class 1: Residential Property

Class 1c Language Clarification Chapter 259, Article 5, Section 1

Amends M.S. 273.13, subd. 22

Clarifies that the homestead portion of class 1c resort property is classified as class 1a residential homestead property as opposed to merely having the same class rate as 1a residential homestead property.

Effective date: For taxes payable in 2006 and thereafter.

Class 2: Agricultural and Timberland Property

First Tier Valuation Limitation; Agricultural Homestead Property Chapter 259, Article 4, Section 11

Amends M.S. 273.11 by adding subdivision 23

Provides for the indexing of the first-tier agricultural homestead valuation limit. The current \$600,000 (amount in first tier which is eligible for the 0.55 percent class rate) will annually be adjusted based upon the ratio of the previous assessment year's statewide average taxable market value of agricultural property per acre of deeded farm land to the same measure for assessment year 2004. The limit is rounded to the nearest \$10,000 and is certified annually by the commissioner of revenue.

For the purposes of this subdivision, "agricultural property" means all class 2 property under section 273.13, subdivision 23, except for (1) timberland, (2) a landing area or public access area of a privately owned public use airport, and (3) property consisting of the house, garage and immediately surrounding one acre of land of an agricultural homestead.

The commissioner shall certify the limit by January 2 of each assessment year, except that for assessment year 2006 the commissioner shall certify the limit by June 1, 2006.

Effective date: For assessment year 2006 and thereafter.

First Tier Valuation Limitation; Agricultural Homestead Land Chapter 259, Article 4, Section 13

Amends M.S. 273.13, subd. 23

Increases the first-tier valuation limit for agricultural homestead property based on the index in M.S. 273.11, subdivision 23. For assessment year 2006, the first \$690,000 in value is eligible for the .55 percent class rate, and the value in excess of \$690,000 has a class rate of 1 percent.

Effective date: For property taxes levied in 2006, payable 2007, and thereafter.

Class 4: Rental and Seasonal Property

Class 4c Language Clarification Chapter 259, Article 5, Section 2

Amends M.S. 273.13, subd. 25

Strikes obsolete language due to 2005 changes to resort property (a portion of class 1c property would no longer be classified as class 4c resort property because the 800 by 500 foot "box" limitation for class 1c property was eliminated).

Effective date: For taxes payable in 2006 and subsequent years.

Property Tax Levies

Special Property Tax Levies

Emergency Medical Service Taxing District Sunset Extension

Chapter 259, Article 4, Section 20

Amends Laws 2001, 1SS, ch5, art3, sec8, as amended by Laws 2005, ch151, art3, sec19

Extends the sunset on emergency medical services special taxing districts by two years, from taxes payable in 2010 to taxes payable in 2012.

Effective date: July 1, 2006

Emergency Medical Service Taxing District Maximum Levy Increase

Chapter 259, Article 4, Section 3

Amends M.S. 144F.01, subd. 4

Allows an emergency medical service district to levy up to the lesser of 0.048 percent of the taxable market value of the district, or \$400,000. The \$400,000 portion of this limit was previously \$250,000.

Effective date: July 1, 2006.

Special Taxing District Levies

Buffalo-Red River Watershed District Levy

Chapter 259, Article 4, Section 22

Uncodified provision

Provides that the Buffalo Red-River Watershed District may levy only the annual general levy under M.S. 103D.905, subd. 3, and a tax levy not to exceed 0.02394 percent of taxable market value to pay for costs attributable to the basic water management features of projects initiated by petition of a political subdivision within the watershed district, or at least 50 resident owners of property within the district. The levy may also be used to develop and implement total maximum daily loads for water quality. Any project initiated by petition cannot be active for a period exceeding 15 consecutive years.

The tax levy of up to 0.02394 percent of taxable market value is effective beginning with taxes levied in 2006, payable in 2007 through taxes levied in 2008, payable in 2009, except that any project initiated by petition under this section within that two-year time period that extends

beyond taxes payable in 2009, the levy authorization in Minnesota Statutes, section 103D.905, subdivision 3, shall continue to fund those projects for their duration. The general tax levy has no expiration date.

Effective date: The day following final enactment (June 2, 2006).

Cook-Orr Hospital District

Chapter 259, Article 4, Section 23

Uncodified provision

Allows the Board of the hospital district to enter into an agreement with the Tribal Council of the Bois Forte Band of Minnesota Chippewa that would permit reservation lands to be included in the territory of the hospital district.

Effective date: July 1, 2006

School District Levies

Proposed Property Tax Levies; Rochester ISD

Chapter 259, Article 4, Section 24

Uncodified provision

Extends the date required for certification of proposed property tax levies for ISD No. 535 in Rochester. Under current law, the deadline is September 30th. This provision extends the deadline to October 8th for 2007 only.

Effective date: For taxes payable in 2007 only.

School District Tax Rate Adjustment: ISD 432

Chapter 259, Article 11, Section 3

Uncodified provision

DOR must reduce the referendum market value and the adjusted net tax capacity certified for assessment year 2005 used to calculate school levies for taxes payable in 2007 for ISD No. 432, Mahnommen, by the amounts of any values attributable to property that is no longer subject to property taxation because the land has been placed in trust in calendar year 2006 through action of the United States Department of Interior, Bureau of Indian Affairs. The Mahnommen County auditor must certify the reductions to DOR.

Effective date: The day following final enactment (June 2, 2006).

Tax Increment Financing and Fiscal Disparities

Tax Increment Financing

County and School Comments Chapter 259, Article 10, Section 1

Amends M.S. 469.175, subd. 2

Modifies the procedures for the TIF authorities to solicit comments from the affected counties and school districts by:

- Limiting the discussion of borrowing costs in the statement of fiscal and economic implications to the effects of issuing general obligation TIF bonds on the ability to issue bonds for general fund purposes. This eliminates the need to assess or discuss any tax base or other effects of the proposed TIF district on borrowing costs;
- Limiting the additional information that the school district or county can request from the TIF authority to matters related to size, timing, or type of development in the district; and
- Limiting the time a school district or county has to request additional information to 15 days after receipt of the plan and clarifies that making a request does not trigger a requirement to provide additional notice before approval of the district.

Effective date: Proposed TIF plans adopted after June 30, 2006.

Plan Modification Chapter 259, Article 10, Section 2

Amends M.S. 469.175, subd. 4

Eliminates the requirement for a TIF authority to publish a 30-day notice and hold a public hearing for a change in capitalized interest. In many cases it is difficult to determine accurately the amount of capitalized interest until bonds are issued.

Effective date: For all districts and for modifications of TIF plans adopted after the day following final enactment (June 2, 2006).

Annual Disclosure Chapter 259, Article 10, Section 3

Amends M.S. 469.175, subd. 5

Eliminates the requirement to send the annual TIF statement to the school district.

Effective date: Disclosures provided after June 30, 2006.

Duration Limits Chapter 259, Article 10, Section 4

Amends M.S. 469.176, subd. 1

Allows a TIF authority to extend the duration of a TIF district to the statutory maximum if a shorter duration limit was set in the TIF plan. This would be done following the plan amendment procedure that requires 30-day published notice and a public hearing.

Effective date: For all districts and for plan modifications adopted after the day following final enactment (June 2, 2006).

Expenditures Outside District; Biotech Zones Chapter 259, Article 10, Section 5

Amends M.S. 469.1763, subd. 2

Clarifies that the special pooling rules for TIF districts in bioscience zones apply to existing, as well as newly created, districts.

Expenditures on public infrastructure within the bioscience zone are treated as in-district expenditures.

Effective date: Applies to all districts, regardless of the request of certification date.

Five-Year Rule Chapter 259, Article 10, Section 6

Amends M.S. 469.1763, subd. 3

Clarifies that the exception allowing districts to increase the pooling percentage limits by 10 percentage points for qualifying housing purposes also applies to the five-year rule. This was a drafting oversight in 2003 legislation.

In addition, this section allows expenditures on public infrastructure in a bioscience zone to qualify for an exemption from the five-year rule.

Effective date: July 1, 2006.

Required Use of Increments For Decertification Chapter 259, Article 10, Section 7

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Amends M.S. 469.1763, subd. 4

Exempts the special pooling rules for housing and bioscience zones from the requirement that increments be used only to pay bonds or contracts qualifying under the five-year rule.

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

Pooling Permitted for Deficits Chapter 259, Article 10, Section 8

Amends M.S. 469.1763, subd. 6

Clarifies that a TIF authority may transfer increments to cover deficits caused by the 1997-2001 property tax changes without modifying the TIF plan.

Effective date: Effective as of July 1, 2006 for all districts, regardless of when the request for certification was made and applies, retroactively to any transfers made under the pooling for deficits provisions.

Original Net Tax Capacity Adjustments Chapter 259, Article 10, Section 9

Amends M.S. 469.177, subd. 1

Provides that improvements to tax exempt property are excluded from original net tax capacity, if they were made after approval of the TIF plan. Present law ties this to certification of the district, which may occur significantly later and varies from county to county.

Effective date: Improvements made after June 30, 2006.

Suspension of Distribution of Increments Chapter 259, Article 10, Section 10

Amends M.S. 469.1771, subd. 2a

Moves up the date for withholding increments from authorities that fail to file their disclosures from the Office of State Auditor from the third Tuesday in November to October 1 and increases the percentage of the first distribution of increment withheld from 25 percent to 100 percent.

Effective date: Beginning with disclosures and reports required to be filed after December 30, 2006.

Interfund TIF Loans Chapter 259, Article 9, Section 9

Amends M.S. 469.178, subd. 7

Tax Increment Financing and Fiscal Disparities

Clarifies that the development authority (e.g., an HRA, EDA, etc.) may pass the authorizing resolutions for these interfund loans that will be repaid with tax increments, if the authority has jurisdiction over the fund, rather than requiring the municipality (e.g., city) to do so.

Effective date: July 1, 2006

Referendum Exemption for TIF Bonds Chapter 259, Article 10, Section 11

Amends M.S. 475.58, subd. 1

Clarifies the language of the referendum exemption for TIF bonds. Under present law, general obligation TIF bonds are not subject to the referendum requirement if they meet the rules that exempt special assessment bonds (i.e., 20 percent of the cost is covered by increments). Present law applies this 20-percent test using pure tax increments (i.e., the actual taxes paid by captured tax capacity) as the measure of increment. The section changes this to refer to defined "increments" under the tax increment act. The change will allow other forms of revenues (e.g., interest on TIF balances, repayments by developers, and so forth) to be used to satisfy the 20-percent test.

Effective date: The day following final enactment (June 2, 2006).

Burnsville TIF District; Repealer Chapter 259, Article 10, Section 17

Repeals Laws 1998, chapter 389, article 11, section 18

Repeals a 1998 special law permitting the city of Burnsville to establish a TIF district and directs that the increments be returned to the county for distribution as excess increments.

Effective date: Upon local approval.

Special Laws Chapter 259, Article 10, Section 12-16

Uncodified provisions

Multiple uncodified provisions grant special authority to specific cities/TIF authorities to extend or establish TIF districts with specified exceptions to current TIF law.

TIF districts in Brooklyn Park, Burnsville, Detroit Lakes, Faribault, and Minneapolis are affected.

Effective date: Upon local approval.

Property Tax Aids and Credits

Local Government Aid

LGA; City Aid Base Adjustments For the City of Mahnomen and the City of Cass Lake Chapter 259, Article 11, Section 1

Amends M.S. 477A.011, subd. 36

Provides a one time additional payment of \$80,000 for aids payable in 2007 only, to the city of Mahnomen to compensate for tax base loss from the tribal casino being placed in trust. Beginning with aids payable in 2008, the tax base loss will be compensated for under the LGA formula.

Provides a permanent increase to the city aid base of Cass Lake by \$100,000 beginning with aids payable in 2007.

Effective date: Beginning with aids payable in 2007

LGA; Formula Adjustment For the City of Mahnomen. Chapter 259, Article 11, Section 2

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

Deletes an obsolete paragraph and increases the City of Mahnomen's maximum limit. The allowed increase equals the city's tax rate in the year of the aid calculation multiplied by the net tax capacity loss attributable to Indian land becoming tax-exempt.

Effective date: Beginning with aids payable in 2007

Local Government Aid Annexation Adjustments Chapter 259, Article 5, Section 8

Amends M.S. 477A.014, subd. 1

Makes explicit when LGA calculations will be adjusted for boundary changes. Requires the city to provide an annexation information report to have changes acknowledged beyond how such changes are reflected in regular data reports and abstracts. The pre-1940 housing percentage, road accidents factor, and household size are only adjusted for complete annexations or consolidations. Other factors are adjusted only if reliable information is provided.

Effective date: For aid payable in 2007 and thereafter

Property Tax Aids

Disparity Reduction Aid Chapter 259, Article 5, Section 5

Amends M.S. 273.1398, subd. 3

Allows adjustments for class rate changes to be delayed a year if insufficient information is available to make an adjustment the first year. The 2005 change creating class 4d was an example of where no insufficient information was available.

The provision also strikes obsolete language.

Effective date: For taxes payable in 2006 and thereafter

Mahnomen; County, City, School District, One Time Property Tax Reimbursement and Chapter 259, Article 11, Section 3

Uncodified provision

Appropriates \$600,000 for a one time payment to Mahnomen County, the City of Mahnomen, and ISD 0432 on July 20, 2006, to compensate for property tax revenue loss in calendar year 2006 due to tribal casino land being placed in trust. \$450,000 is appropriated for payment to Mahnomen County, \$80,000 to the City of Mahnomen, and \$70,000 to ISD 0432.

Effective date: The day following final enactment (June 2, 2006).

Aid Reductions

PERA; City of Anoka Offset Chapter 271, Article 14, Section 6

Uncodified provisions

Requires the commissioner of revenue to reduce the City of Anoka's state aid payment by an amount equal to the City's required pension related payment under paragraph (e) in this provision and transmit an amount equal to the reduction to the general employee retirement fund if the City of Anoka fails to make the payment.

Effective date: The day following final enactment (June 2, 2006).

Property Tax Credits

Residential Homestead Market Value Credit
Chapter 259, Article 5, Section 3

Amends M.S. 273.1384, subd. 1

Deletes an obsolete reference to class 1c (the homestead portion is class 1a).

Accounts for relative homesteads in the language that attempts to identify “fractional homesteads.

Clarifies that for fractional homesteads, due to a spouse not occupying the property, the owner-occupant spouse’s percentage of ownership is 50% of the couple’s ownership percentage.

Effective date: For taxes payable in 2007 and thereafter

Agricultural Homestead Market Value Credit
Chapter 259, Article 5, Section 4

Amends M.S. 273.1384, subd. 2

Requires that if a portion of the homestead is classified as class 2b nonhomestead farm land solely because not all of the owners occupy or farm the property, because no qualifying relatives occupy or farm the property, or because not all spouses of the owners occupy the property, the credit amount shall be computed initially as if that portion were homestead and then prorated to the owner-occupant’s percentage of ownership.

Also clarifies that the class 2a qualifying market value excludes the HGA. This is consistent with intent and DOR instructions but had not been in statute.

Effective date: For taxes payable in 2007 and thereafter.

Property Tax Collection and Distribution

Property Tax Collection

Taxes Paid by Lien Holders Added to Lien Chapter 221, Section 2

Amends M.S. 272.44

Clarifies that a lien holder with interest in the land may make payments towards past due or delinquent property tax. The interest, penalty, costs, and the payment will be added to the lien.

Effective date: August 1, 2006

Taxes Paid by Tenants or Occupants Become Lien Chapter 221, Section 3

Amends M.S. 272.45

Clarifies that an occupant, tenant, or other person who is not a lien holder may make payments towards past due or delinquent property tax. The interest, penalty, costs, and the payment will be an additional lien.

Effective date: August 1, 2006

Credit and Debit Card Task Force Chapter 219, Section 1

Uncodified provision

Establishes a task force to study the use of credit and debit cards for payment to state or local governments of taxes, licenses, permits, or other statutory fees.

The task force will look at the advantages and disadvantages of the use of credit and debit cards for transactions with state and local government from both the government's and the consumer's point of view and it will identify options to facilitate the use of credit and debit cards for transactions and identify the fiscal impacts of those options. The findings and recommendations will be presented to the 2007 legislature.

Effective date: The day following final enactment (May 22, 2006).

Property Tax Refund

Property Tax Refunds; Tuition Discounts Chapter 259, Article 4, Section 21

Uncodified provision

Prohibits the disallowance of any part of a property tax refund claim filed in 2005 or an earlier year, due to the failure to include the cash value of a tuition discount provided by a postsecondary educational institution in household income. Also provides for refunds to taxpayers who were required to repay part of a property tax refund based on inclusion of tuition discounts in household income on a claim filed in 2005 or earlier years.

Effective date: The day following final enactment (June 2, 2006).

Tax-Forfeited Land

General Provisions

Certificate of Forfeiture Chapter 259, Article 5, Section 6

Amends M.S. 281.23, subd. 9

Eliminates the requirement that county auditors retain a paper copy of each certificate of forfeiture, consistent with changes enacted in Laws 2005, chapter 4, modernizing recording and filing requirements. The auditor records the certificate with the county recorder or registrar, thus making it part of the county's formal land records.

Effective date: The day following final enactment (June 2, 2006).

Certificate of Forfeiture Chapter 259, Article 5, Section 7

Amends M.S. 284.07

Replaces a reference to the "filed" certificate with a reference to a "recorded" certificate, consistent with changes enacted in Laws 2005, chapter 4, modernizing recording and filing requirements.

Effective date: The day following final enactment (June 2, 2006).

Sale or Conveyance

Land Replacement Trust Fund; Itasca County Chapter 236, Article 1, Section 43

Uncodified provision

Requires Itasca County to apportion \$1 million of proceeds from the sale of tax-forfeited land within Minnesota Steel Industries mine-permit area near Nashwauk and requires the remaining proceeds to be deposited into a tax-forfeited land replacement trust fund. The principal and interest from this fund may be spent only on the purchase of lands to replace the tax-forfeited lands sold to Minnesota Steel Industries. Lands purchased with the land replacement fund are subject to trust in favor of all local taxing district authority and all laws related to tax-forfeited and must be for forest management purposes and dedicated as memorial forests.

Effective date: Upon approval of the governing body of Itasca County and upon compliance with M.S. 645.021 subd. 3.

County Specific Special Provisions Chapter 236, Article 1, Section 5, 10-42

Uncodified provisions

Multiple uncodified laws authorize counties to privately or publicly sell specified tax-forfeited or surplus lands, including lands bordering public waters, provided the conveyance is in a form specified by the state attorney general (standard practice).

Lands within Anoka, Chisago, Clearwater, Goodhue, Hennepin, Itasca, Lake of the Woods, Marshall, Mille Lacs, Morrison, Otter Tail, Pine, St. Louis, Stevens, Washington, and Wright counties are affected.

Effective date: Most of the provision are effective the day following final enactment (May 27, 2006).

Miscellaneous Property Tax Laws

Annexations

Municipal Boundry Adjustment Advisory Task Force

Chapter 270, Article 2, Section 1

Uncodified provision

Establishes a task force to study and make recommendations on what, if any, changes should be made to the law governing municipal boundary adjustments. The task force shall develop recommendations for city and township officials to better communicate and jointly plan potential annexations.

The task force is required to report its recommendations to the chairs and members of the house of representatives and senate committees with jurisdiction over municipal boundary adjustments by January 1, 2007. The task force is also required to provide a copy of its recommendations to the Legislative Reference Library.

Effective date: August 1, 2006.

Cash Payments to Towns Affected By Annexations

Chapter 270, Article 2, Section 9

Amends M.S. 414.033, subd. 12

Strikes language which requires a municipality that annexes property by ordinance to make yearly cash payments to the township in which the land is being annexed from. Municipalities are now required to make cash payments to townships in accordance with M.S. 414.036.

Effective date: August 1, 2006.

City Reimbursements to Towns Affected By Annexations

Chapter 270, Article 2, Section 11

Amends M.S. 414.036.

Provides that a municipality, unless already agreed upon between the city and town, must follow the reimbursement procedure detailed in this section to compensate towns for annexing property. The procedure now applies to all annexations in the chapter. Previously the procedure was not required

and only applied to orderly annexations under M.S. 414.0325.

Also provides that a municipality must reimburse a township for all special assessments assigned by the township to the annexed property, and any portion of debt incurred by a town prior to the annexation and attributable to the property to be annexed but for which no special assessments are outstanding.

Effective date: August 1, 2006.

County Offices

Carver County HRA

Chapter 259, Article 9, Section 11

Uncodified provision

Renames the Carver County Housing and Redevelopment Authority the Carver County Community Development Agency.

Effective date: July 1, 2006

Auditor-Treasurer and Recorder; Carver County

Chapter 173, Section 1

Uncodified provision

Allows the Carver County Board of Commissioners to fill the offices of county recorder and county auditor-treasurer by appointment, rather than by election. Requires a public hearing to be held prior to the board's decision to make the county auditor-treasurer and recorder offices appointive.

Effective date: Upon local approval.

International Economic Development Zone

Property Tax Exemption Chapter 259, Article 13, Section 1

Amends M.S. 272.02, subd. 83

Provides that the exemption for qualifying property in an international economic development zone applies only during the duration of the zone. Present law provides the exemption applies beginning with the first year after designation of the zone. The change will delay the start of the property tax exemption until property taxes payable in 2011.

Effective date: The day following final enactment (June 2, 2006).

Delay in Designation Chapter 259, Article 13, Section 11

Amends M.S. 469.322

Delays the required date for designation of the international economic development zone from June 30, 2006, to June 30, 2008. The start of the duration of the zone would be delayed by three years to calendar year 2010 (from 2007 under present law).

Also requires a foreign trade zone authority to conduct a transportation impact study before final designation of the zone.

Effective date: The day following final enactment (June 2, 2006).

Business Plan Submission Requirements Chapter 259, Article 13, Section 12

Amends M.S. 469.323, subd. 2

Requires copies of the business plan to be provided to the legislature in the manner normally used for reports to the legislature (i.e., to the Chief Clerk, Secretary of the Senate, and the Legislative Reference Library). Copies of the business plan would also be provided to the chairs of the legislative committees with jurisdiction over transportation and economic development.

Effective date: July 1, 2006.

Job Opportunity Building Zones

Duration Limits Chapter 281, Article 4, Section 26

Amends M.S. 469.312, subd. 5

Provides a three-year extension of the period in which JOBZ tax incentives are available for ethanol projects, if the business subsidy agreement is signed after April 30, 2006.

Effective date: The day following final enactment (June 2, 2006).

Biotechnology and Health Sciences Industry Zone

Multiple Zones Chapter 276, Section 1

Amends M.S. 469.334, subd. 1

Authorizes the commissioner of employment and economic development to designate multiple zones. Previously only one zone was authorized by law.

Effective date: The day following final enactment (May 27, 2006).

Designation Schedule Chapter 276, Section 2

Amends M.S. 469.334, subd. 4

Provides that the designation schedule applies only to the first zone. Subsequent zones are to follow substantially the same application and designation process.

Effective date: The day following final enactment (May 27, 2006).

Definitions

**Definition of Market Value For Net Debt Limits
Chapter 259, Article 9, Section 5**

Amends M.S. 273.032

Amends the definition of market value for the purpose of determining any net debt limit. Provides that the taxable market value as last finally equalized is used to determine any net debt limit. Previously the value used for the purpose of determining any net debt limit was the taxable market value for the previous assessment year.

Effective date: The day following final enactment (June 2, 2006).

**Definition of Tax
Chapter 259, Article 13, Section 15**

Amends M.S. 645.44 by adding subdivision 19

Defines "tax" to mean any fee, charge, exaction, or assessment imposed by a governmental entity. Excludes amounts that an individual chooses to pay in return for goods or services, but specifies that goods or services do not include access to private market transactions with a nongovernmental party, or trade, professional, or business licenses.

Provides that any fee or charge that meets the definition provided of a tax must be treated as a tax for all purposes, without regard to whether or not the statute or law names it as a tax.

Provides that the definition does not extend or limit the constitutional requirement that bills to raise revenue originate in the House.

Effective date: The day following final enactment (June 2, 2006).

Property Tax Programs

Sustainable Forest Incentive Act Program

Definition of Claimant

Chapter 236, Article 2, Section 1

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

Allows a purchaser or grantee to qualify as a claimant if property enrolled in the program was sold or transferred after the original application was filed and before the annual incentive payment was made. The purchaser or grantee must notify the commissioner of the sale or transfer of property.

If property is sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the annual payments provided under M.S. 290C.01 to 290C.11 and notify the commissioner.

Effective date: The day following final enactment (May 27, 2006).

Forest Management Plan

Chapter 236, Article 2, Section 2

Amends M.S. 290C.02, subd. 7

Deletes the language that requires forest management plans to be owner specific.

Effective date: The day following final enactment (May 27, 2006).

Forest Management Guidelines

Chapter 236, Article 2, Section 3

Amends M.S. 290C.02, subd. 8

Changes the definition of timber harvesting and forest management guidelines by striking a reference to the guidelines adopted in 1998. Instead the effective guidelines are those that are in effect at the time the land is enrolled in the program.

Effective date: The day following final enactment (May 27, 2006).

**Applications; State Business Identification Number
Chapter 236, Article 2, Section 4**

Amends M.S. 290C.04

Changes the classification of the state business identification number from private to public.

Effective date: The day following final enactment (May 27, 2006).

**Parcel Replacement: Itasca County
Chapter 236, Article 1, Section 44**

Uncodified provision

Requires the commissioner of revenue to allow a claimant to remove specified parcels of land in Itasca County from the program without penalty and replace them with other parcels meeting certain conditions.

Effective date: The day following final enactment (May 27, 2006).

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