MINNESOTA · REVENUE

2010 Property Tax Law Summary

2010 Minnesota Legislative Session

Property Tax Division
June 2010

Memo from the Director

MINNESOTA ▪ REVENUE

Date: June 25, 2010

To: All Property Tax Administrators

From: John Hagen, Director
Property Tax Division

Subject: 2010 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 2010 legislative session.

The purpose of the *Summary of 2010 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 2010 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.

Finally, the *Summary of 2010 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.

If you have suggestions for improving future editions of the property tax law summary, please contact Andrea Fish at andrea.fish@state.mn.us.

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Assessment

General Provisions

Assessor Duties
Chapter 354

Amends 82B.035, subd. 2; 270.41, subd. 5; and 273.061, subdivisions 7 and 8

Chapter 354 amends section 273.061, subdivision 8 (assessors' powers and duties) and applicable cross-references were updated to reflect the addition of paragraph 16 under subdivision 8. A new paragraph has been added to section 273.061, which allows the assessor to perform appraisals of property, review the assessment and determine its accuracy, prepare appraisals or appraisal reports, and testify beofre any court or other body (e.g. local and county boards of review) as an expert and on behalf of the assessor's jurisdiction with respect to properties in that jurisdiction. This has also been added as a part of the duties of a local assessor. Section 82B.035 provides that nothing in the appraiser statute is construed to prohibit assessors from performing this duty. Finally, the "moonlighting" prohibition under section 270.41 is not to be construed to prohibit an individual from performing this duty.

History: In the Minnesota Tax Court case The *Shoppes of Woodbury Village v. County of Washington* (2009), it was determined that an assessor's appraisal was not admissible to Tax Court as evidence. The Court relied on Minnesota Statutes, section 270.41, subdivision 5, which as designed to prohibit a licensed assessor from making fee appraisals in that assessor's jurisdiction. The intention of M.S. 270.41, subd. 5 was originally to prevent "moonlighting" by an assessor in that assessor's jurisdiction.

Many assessors expressed concerns that this decision could hamper their ability to testify in court in defense of their own assessed values. If assessors were to be prohibited from defending their values in Tax Court, counties may have been required to hire outside appraisers for each Tax Court appeal, which could be very costly to counties.

Because of these potential consequences from the *Shoppes of Woodbury* decision, language was sought that would clarify that assessor testimony is admissible in a Tax Court or other court case. This language was signed into law on May 15, 2010 (Minnesota Laws 2010, chapter 354). This language, while being permissive in terms of assessors' duties, does not preclude the court from determining which testimony it will hear and consider valid.

Effective date: The day following final enactment; for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Property Tax Assessors' Manual
Chapter 389, Article 8, Section 2

Amends 270C.87

This is a technical amendment to correct a cross-reference from 270C.06 to 270C.85. The assessors' manual is not a rule-making document, but the old reference was to the commissioner's authority to promulgate rules. The correted reference refers to the commissioner's powers and duties with respect to the administration of property tax laws.

Effective date: The day following final enactment.

Failure to Appraise
Chapter 389, Article 8, Section 3

Amends 270C.87

Clarifies that the commissioner's ability to appoint a special assessor or cause a reappraisal when an assessor has failed to properly appraise at least one-fifth of the parcels is a discretionary power that "may" be utilized rather than an automatic requirement as potentially implied by "shall."

Effective date: The day following final enactment.

State Assessed Property

Airflight Property Rate of Tax
Chapter 389, Article 1, Section 1

Amends 270.075, subd. 1

Changes timing for and specifies the role of the Department of Transportation (DOT) for the certification of air flight property tax. Outlines what the Commissioner of Transportation must provide to the Department of Revenue. The Commissioner of Transportation is required to certify to the Commissioner the property tax levy for air flight property by December 31 annually (previously was September 1). The certification shall state the total fund appropriation and list individually the estimated fund revenues, including carryover balance from the airport fund.

If a levy is not certified by December 31, the commissioner shall use the last previous certified amount and shall notify the chairs and ranking minority members of the committees of the house of representatives and senate having jurisdiction over DOT that a certification wasn't made.

History: The DOT was not forthcoming with certifications and seemed willing to rely on the prior year levy, and the appropriateness of the levy certifications was called into question. This change facilitates legislative scrutiny over the levy setting process.

Effective date: Taxes payable 2011 and thereafter.

Airflight Property Notice of Taxes
Chapter 389, Article 1, Section 2

Amends 270.075, subd. 2

Changes the date by which the Commissioner of Revenue shall notify airline company of net tax capacity and tax to March 1 following the levy of the tax (previously was December 1). Also changes the date taxes are due to April 1 (previously was January 1). These changes are necessitated by the changes in section 1 that extended the date of the DOT certification.

Effective date: Taxes payable 2011 and thereafter.

Reports - Wind Energy Conversion Systems
Chapter 389, Article 8, Section 6

Amends 272.029, subd. 4

Provides that if the owner of a wind energy conversion system does not file a report of the amount of energy production, the commissioner of revenue shall determine the tax based on the nameplate capacity of the system multiplied by 60 percent (previously was 40 percent).

History: The greater energy efficiency of these systems has made efficiency greater than 40 percent possible, and it was suspected that one owner may have intentionally not filed in order to benefit from a lower tax. The potential for there to be a benefit for non-filing caused the department to propose this change. The 60 percent level of efficiency has been identified as the physical limit of potential energy efficiency, ensuring it will remain an incentive to file for the foreseeable future.

Effective date: Beginning with reports due on February 1, 2011 and thereafter.

Exempt Property

Exemption - Property Leased to Schools
Chapter 216, Section 5

Amends 272.02, subd. 42; adds paragraph (b)

Under this new paragraph (b), property owned by a not-for-profit entity other than the charter school may qualify for exemption if the statutory requirements are met. Namely, property leased to a charter school formed and operated under Minnesota Statutes, section 124D.10, but owned by one of the following entities may be exempt from property taxes:

1. an organization exempt under Internal Revenue Code 501(c)(2) or (3);
2. a public school district, public college, or public university;
3. a private academy, a private college, a private university, or a private seminary of learning (for which Minnesota Tax Court and Supreme Court have held that the educational institution must have a curriculum that parallels that of a public education system)
4. a church; OR
5. the state or a political subdivision of the state (e.g. county, city, etc.).

The charter school must use the property to provide direct K-12 education, special education for disabled children, or administrative services directly related to the educational program at that site. Provisions that allow the property to be used for adult basic education, community education programs, and preschool and early childhood family education do not apply to these exemptions for property leased to charter schools.

The charter school may share its space with another public or private school, a church, or the state or political subdivision of the state. Other than that shared space, the lease must provide the charter school with the exclusive right to use the property during the lease period.

Under paragraph (a), eligibility for exemption for property leased to a school district has not changed.

History: Minnesota Statutes, section 273.02, subdivision 3 exempts all public schools from property tax. However, charter schools, while being public schools, rarely own the property where the charter school is located. Rather, they will often lease the property from another entity. The space may be leased from a private entity, a

public or private non-profit entity, a school district, or a unit of government. This led to some confusion regarding the tax exemption eligibility of charter schools, and this clarifying language was sought. If the owner a a property is not the charter school operating at the property, the actual property owner must satisfy the requirements of this new paragraph for property tax exemption purposes.

Effective date: Assessment year 2010, taxes payable 2011 and thereafter.

Exemption - Apprenticeship Training Facilities
Chapter 216, Section 6

Amends 272.02, subd. 86

This section amends the exemption for apprenticeship training facilities. It includes as eligible for exemption a property that is owned and operated by a non-profit organization or non-profit trust for which program participants receive no compensation, and is located in a city outside the Minneapolis/Saint Paul standard metropolitan statistical area that has a population of 7,400 or greater (previously was 7,500 or greater) according to the most recent federal census; or an eligible property may now be located in a township that has a population greater than 2,000 but less than 3,000 (determined by the 2000 federal census) and the building was previously used by a school and exempt from taxes payable 2010.

For most apprenticeship training facilities, the exemption includes up to five acres of land on which the building is located and associated parking areas on that land. However, the amended statute provides that for an eligible property may now be located in a township that has a population greater than 2,000 but less than 3,000 (determined by the 2000 federal census) and the building was previously used by a school and exempt from taxes payable 2010, the exemption includes up to ten acres of land on which the building is located and associated parking areas on that land. For all apprenticeship training facilities receiving property tax exemption under this subdivision, if the parking area associated with the facility is used for purposes of the facility and for other purposes, a portion of the parking area is exempt in proportion to the square footage of the facility used for purposes of apprenticeship training.

Effective date: For taxes payable 2012 and thereafter.

Exemption - Business Incubator Property
Chapter 389, Article 1, Section 3

Amends 272.02, subd. 31

Extends the sunset for the exemption for business incubator property from expiring after taxes payable in 2011 to 2016. This is targeted to a property in Aitkin County.

Effective date: The day following final enactment.

Exemption - Leased Seasonal Recreational Land
Chapter 389, Article 1, Section 4

Amends 272.0213

The amended language requires that lands owned by the federal government and rented for non-commercial seasonal recreational use are exempt from taxation, including taxes imposed under section 273.19, without any necessary resolution by the county board, and without the requirement that the lands must have been exempted for taxes payable in 2008. This is effective beginning with taxes payable 2011. Property owned by cities, towns, counties, or the state may only be exempted if they were exempted for taxes payable in 2008 and if the county board elects to exempt them (the provisions for those exemptions have not changed).

History: This provision, originally enacted in 2008, allowed for counties that had been improperly exempting government-owned lands, leased to private individuals for recreational purposes, to continue to exempt those lands by county board resolution.

Based on a 2008 survey of all counties (with 59 respondents), there are 11 counties with federally-owned lands leased to private individuals. All counties but two were properly taxing these leased lands. Based on this same survey, more than 500 parcels are now exempt, with an estimated market value of approximately $35 million. It was said during testimony to the legislature that 25% of these lease payments are returned to counties. There are also use restrictions on these properties, providing additional impetus to legislature to exempt them.

It is important to reiterate that property tax exemptions under M.S. 272.0213 are for land only. Any structures are still taxable as personal property tax to the lessee of the property.

Effective date: Beginning with taxes payable 2011.

Statement of Exemption
Chapter 389, Article 8, Section 4

Amends 272.025, subd. 1

Provides that churches, houses of worship, and properties used solely for educational purposes by academies, colleges, universities, or seminaries of learning are required to file a statement of exemption. Only properties owned by the state or a political subdivision of the state are not required to file a statement. The commissioner of revenue is given the authority to extend the time of filing a statement in the case of sickness, absence, or other disability for good cause (the assessor also has this right).

Effective date: For taxes payable 2012 and thereafter.

Filing Dates - Exempt Property
Chapter 389, Article 8, Section 5

Amends 272.025, subd. 3

Provides that churches and houses of worship, and property used solely for educational purposes by academies, colleges, universities, or seminaries of learning are required to file for an exemption once but only once (i.e. they are required to initially file a statement by February 1, but not after that approval). This requirement to file for an exemption does not apply to existing churches and houses of worship, academies, colleges, universities, or seminaries of learning that were exempt for taxes payable in 2011.

Effective date: For taxes payable 2012 and thereafter

Exemption - Wind Energy Conversion Systems
Chapter 389, Article 8, Section 7

Amends 272.029, subd. 7

Clarifies that the exemption from wind energy production taxes in a job opportunity building zone (JOBZ) only applies if the owner of the system is a qualified business under M.S. 469.310, subd. 11 who has entered into a business subsidy agreement that covers the land on which the system is located.

Effective date: The day following final enactment.

Special Valuations and Deferrals

Green Acres Due Date Extension
Chapter 215, Article 13, Section 1

Amends 273.111, subd. 9

Extends the date to withdraw class 2b rural vacant lands from Green Acres to August 16, 2010 (previously was May 1, 2010) in order to avoid a payment of deferred taxes. This gives farmers more time to review their options, including the new Rural Preserve property tax program, before deciding whether or not to keep 2b acres in Green Acres until 2013, or withdraw them in advance.

Effective date: For withdrawals after April 30, 2010.

Green Acres - Property No Longer Eligible for Deferment
Chapter 389, Article 1, Section 5

Amends 273.111, subd. 3a

Allows for continuation of Green Acres deferral for class 2b rural vacant land property that had been enrolled while under ownership of an LLC, if an individual member of that LLC passes away and the property transfers to a son or daugther of that member. The class 2b property may continue enrollment until as late as the 2013 assessment.

Effective date: Taxes payable 2011 and thereafter.

Green Acres - Determination of Value
Chapter 389, Article 1, Section 6

Amends 273.111, subd. 4

To determine an agricultural value for Green Acres purposes for each county, the Commissioner of Revenue shall consult with the Department of Applied Economics at the University of Minnesota. The values must be determined using appropriate sales data. However, when appropriate, reasonable adjustments may be made to Green Acres values based on the most recent county or regional data for agricultural production, commodity prices, production expenses, rent, and investment return. The county assessor shall consult with the Department of Revenue and determine the relative value of agricultural land for each assessment district in the county in comparison to the countywide average value, considering and giving recognition to appropriate agricultural market and soil data available.

History: This language is an effort to get rid of a lot of the misconceptions about Green Acres valuations that exist in the public, and how Green Acres values are determined. It is also an effort to address different agricultural economies, clarifying each county's relationship to the base county and acting as verification of the "factors" that we use for Green Acres purposes. This does not represent a move away from sales-based valuations. It should also not be a cost to counties. Counties are only required to use available data (not seek new data) and will determine their values in consultation with the Department of Revenue.

Effective date: Assessment year 2012 and thereafter.

Rural Preserve - Definitions
Chapter 389, Article 1, Section 7

Amends 273.114, subd. 1

For Rural Preserve, the "conservation management plan" requirement is changed to require a "conservation assessment plan". Instead of a "reliable field inventory of the individual conservation practices and cover types," a United States Department of Agricultural field map is required.

History: The purpose of the original Rural Preserve language was an attempt to promote "Keep it Green" policies for farmlands. The conservation management plan required a plan writer to physically walk the property for which the plan was being developed, which raised the costs of entering the program and became a difficulty in terms of number of qualified plan writers. One SWCD said that they could not write plans due to staffing and cost issues. Aerial photos and USDA field maps are, however, more readily available. This "conservation assessment plan" makes it more cost effective and easier to enter into the Rural Preserve program, without making any substantive changes in the requirements necessary to enter the program.

Effective date: The day following final enactment.

Rural Preserve - Requirements
Chapter 389, Article 1, Section 8

Amends 273.114, subd. 2

Makes a technical amendment to account for the change to conservation assessment plans under section 7; reduces the minimum period of enrollment from 10 years to eight years (see section 9); and corrects references to provide that land enrolled in the Rural Preserve program is not also enrolled in agricultural preserves under chapter 473H. A cross-reference to M.S. 273.117 is struck because it was not considered a redundant benefit.

Effective date: The day following final enactment.

Rural Preserve - Covenant Requirements
Chapter 389, Article 1, Section 9

Amends 273.114, subd. 5

A property enrolled in Rural Preserve may be withdrawn by the property owner by terminating the covenant. The property owner may request to terminate the covenant during the fifth year of enrollment, and must give notice to the county assessor of termination three years in advance (was previously five years). In other words, a property must be enrolled for a minimum of eight assessment years. This time line is closer to that of SFIA.

Effective date: The day following final enactment.

Metropolitan Agricultural Preserves
Chapter 389, Article 1, Section 24

Amends 473H.05, subd. 1

Changes the application date for metropolitan agricultural preserves from March 1 to June 1 for the next year's taxes. For the 2010 assessment year, the application date is extended to August 1. There is no administrative necessity for an application deadline of March 1, so the extended date may allow more property owners to enroll.

Effective date: The day following final enactment.

Property Tax Levies and Levy Limitations

Overall Levy Limitations

Special Levy for Aid and Credit Loss
Chapter 215, Article 13, Section 3

Amends 275.70, subdivision 5

Expands the definition of the special levy for aid and credit loss to include reductions due to legislative action. The definintion prior to the expansion included only reductions due to unallotment.

Also clarifies the special levy for estimated reductions to credits in the year in which the levy is payable applies only to market value credit reimbursements (rather than the credits themselves as granted to the taxpayer).

Effective date: For aids payable in calendar year 2011 and thereafter.

Levy Limits
Chapter 389, Article 1, Section 17

Amends 275.71, subd. 4

Provides a "floor" for levy limits so that they are not less than zero percent, and still may not exceed 3.9 percent. Clarifies that the implicit price deflator (IPD) factor used to calculate overall levy limits will be limited to an increase between 0 and 3.9 percent.

History: Some observers worried that a negative adjustment would occur if the IPD show deflation, but the department had interpretted that the adjustment is limited to "growth" in the IPD and this change affirms and clarifies that interpretation.

Effective date: For taxes levied in 2010 and thereafter.

Charter Exemption for Aid Loss
Chapter 389, Article 1, Section 18

Amends 275.75

Removes language referring to obsolete aid reductions from 2004 and 2005 and replaces it with general language which allows local governments with charter property tax limits to levy beyond the limit to cover reductions in local government aid and market value homestead credits.

Effective date: For levies payable in calendar year 2011 and thereafter.

Special Levy Clarifications
Chapter 389, Article 8, Section 11

Amends 275.70, subdivision 5

Clarifies that the special levy for certificates of indebtedness is the appropriate special levy authority for repaying emergency debt certificates issued to cover revenue decreases resulting from unallotments (rather than the special levy for unallotments).

It also clarifies the new special levy for unallotments by limiting them to the amount of unallotment that occurs in the year the levy is paid. The only time the special levy may be used in the next year is if the unallotment amount was not known by September 1 and the local government did not do a late levy adjustment in January of the year the levy is paid.

Effective date: Retroactively effective for taxes payable in 2010 and thereafter.

Certified Aid Clarification
Chapter 389, Article 8, Section 12

Amends 275.71, subdivision 5

Clarifies the certified aid amount to be used to calculate an overall levy limit for a local government is the amount certfied before any unallotments are applied. This results in any unalloted aid being levied back as part of a special levy rather than being figured into to the levy limit calculation.

Effective date: Retroactively effective for taxes payable in 2010 and thereafter.

Emergency Debt Certificates
Chapter 389, Article 8, Section 15

Amends 475.755

Clarifies that the appropriate special levy to use for levies to pay emergency debt certificates is not the special levy for unallotments and reductions under clause (22) of M.S. 275.50, subd. 5, but instead must be the special levy for repayment of indebtedness under clause (2) of the special levies statute.

Effective date: Retroactively effective for taxes payable in 2010 and thereafter.

Levy Validation
2010 First Special Session, Chapter 1, Article 13, Section 5

Adds an uncodified provision

Clarifies that a special levy under M.S. 275.50, subd. 5, clause (22) (for unallotments) approved by the department for taxes payable 2010 are validated nothwithstanding a later judicial decision that may affect the validity of the unallotments. The provision also clarifies that the special levy may not be used for pay 2011 for retroactive reductions of 2008 and 2009 credits (since the ratification of the cuts could potentially have been considered to have occured in 2010).

Effective date: The day following final enactment.

Special Taxing Districts

Thief River Falls Airport Authority
Chapter 389, Article 1, Section 30

Adds an uncodified provision

If the City of Thief River Falls elects to establish an airport authority, the authority will be allowed to spread a property tax levy on referendum market value rather than net tax capacity by declaring its intent to do so in the joint agreement establishing the authority.

Effective date: The day following final enactment (May 28, 2010), without local approval.

Emergency Medical Service Districts
Chapter 389, Article 8, Section 17

Amends Minnesota Laws 2009, chapter 86, article 1, section 87

Removes the payable 2012 sunset date for emergency medical service districts. These districts no longer have a sunset date.

History: The 2009 Legislature attempted to remove this sunset but overlooked this change.

Effective date: The day following final enactment (May 28, 2010), without local approval.

Service Districts

Housing Improvement Area Thresholds Increased
Chapter 389, Article 1, Sections 22 and 23

Amends 428A.12 and 428A.18, subd. 2

Increases the required percentage from 25 percent to 50 percent of owners in housing units needed to file a petition requesting a public hearing, and to take action proposing a fee.

Also increases the percentage from 35 percent to 45 percent, either in terms of housing units or net tax capacity, the participation that is required to veto a fee increase and file an objection with the city clerk before the effective date of the resolution.

Effective date: July 1, 2010.

Property Tax Aids and Credits

County Program Aid

County Program Aid Appropriation Reduction
Chapter 215, Article 13, Section 8

Amends 477A.03, subdivision 2b

Reduces the total county program aid appropriation by $43.8 million, from $241.5 to $197.7 million beginning with pay 2011. The reduction is divided equally between county need aid and county tax-base equalization aid.

Effective date: For aids payable in calendar year 2011 and thereafter.

Local Government Aid

LGA City Aid Base
Chapter 215, Article 13, Section 4

Amends 477A.011, subdivision 36

Increases the city aid base for the city of Houston by $106,964 for local government aid (LGA) payable in 2011 only and also increases the city aid minimums and maximums for 2011 only. The base adjustment for Houston compensates the city for their 2008, 2009, and 2010 unallotments. Houston was the only city with a 2008 population less than 1,000 that lost aid due to these unallotments. Cities with a 2007 population less than 1,000 were exempt from unallotment. The payment is made out of the existing city LGA appropriation.

Effective date: July 1, 2010.

LGA Distribution
Chapter 215, Article 13, Section 5

Amends 477A.013, subdivision 9

Clarifies the aid amount to be used in determining a city's minimum and maximum aid amounts as its 2010 certified LGA minus any reductions which came after certification. This definition only applies for determining LGA payable in 2011. In 2012 and thereafter, it reverts to the previous year's certified amount.

Effective date: For aids payable in calendar year 2011 and thereafter.

2010 Aid and Credit Reductions
Chapter 215, Article 13, Section 6

Adds 477A.0133

Prescribes additional cuts to payable 2010 aid and credit reimbursements for counties and cities. These cuts are in addition to the unallotments enacted in January of 2010 and are equal to 1.82767% of a county's 2010 levy plus aid and 3.4287% of a city's levy plus aid. The cuts are first applied to market value credit reimbursements and then to LGA or CPA.

Effective date: The day following final enactment (April 2, 2010).

LGA Appropriation Reduction
Chapter 215, Article 13, Section 7

Amends 477A.03, subdivision 2a

Reduces the city LGA appropriation by $31 million, from $558 million to $527 million beginning with Pay 2011.

Effective date: Effective for aids payable in calendar year 2011 and thereafter.

Local Government Aid Study
Chapter 215, Article 13, Section 9

Amends Minnesota Laws 2008, chapter 366, article 2, section 12

Extends by two years the date in which the local government aid study group must report its recommendations to the Legislature. Previous law required recommendations to be reported by December 15, 2010; the group now has until December 15, 2012.

Effective date: The day following final enactment (April 2, 2010).

Repealer
Chapter 215, Article 13, Section 10

Repeals 477A.03, subd. 5

Repeals the subdivision which contained appropriation adjustments that would have increased the aids payable in 2011 to 104 percent of the amounts for aids payable in 2010. The amount for 2011 is set by the appropriation language, making this adjustment contradictory.

Effective date: For aids payable in 2011 and thereafter.

City Formula Aid
Chapter 389, Article 8, Section 16

Amends 477A.013, subd. 8

Deletes obsolete language and clarifies language related to the use of data available by January 1 of the year the aid is calculated. This allows levy data not available as of January 1 to be used in determining cities' maximum LGA increases and decreases under section 477A.013, subd. 9. These corrections affirm what was intended in the original 2008 language and in 2009 when first changed.

Effective date: For aid payable in 2010 and thereafter.

2010 Aid and Credit Reductions
2010 First Special Session, Chapter 1, Article 13, Section 3

Amends 477A.0133

Updates references to unallotments to refer to the reductions under M.S. 477A.0132 that replace or ratify the unallotments. The cuts under M.S. 477A.0133 are in addition to the cuts under M.S. 477A.0132.

Effective date: The day following final enactment (April 2, 2010).

Other Property Tax Aids

Reductions to Ratify Unallotments
2010 First Special Session, Chapter 1, Article 13, Section 2

Adds 477A.0132

Enacts reductions to aids and market value credit reimbursements for 2009 and 2010 that equal and essentially ratify the unallotments announced by the Governor.

For counties, the revenue base for 2009 is reduced by 1.188968672% in 2009 and 2.41396687% in 2010. Counties under 5,000 and Mahnomen County (because of the Shooting Star Casino exemption) are exempt from the reductions. The reductions are applied first to County Program Aid and then, if necessary, to market value credit reimbursements.

For cities, the revenue base for 2009 is reduced by 3.3127634% in 2009 and 7.643803025% in 2010, limited to $22 per capita and $55 per capita, respectively. Cities under 1,000 that had an adjsted net tax capacity (NTC) per capita less than the statewide average are exempt from the reductions. The City of St. Charles is exempt in 2009. The reductions are applied first to Local Government Aid and then, if necessary, to market value credit reimbursements.

For towns, the revenue base for 2009 is reduced by 1.735103% in 2009 and 3.66078% in 2010, limited to $5 per capita and $10 per capita, respectively. Towns under 1,000 that had an adjsted NTC per capita less than the statewide average are exempt from the reductions. The reductions are applied to market value credit reimbursments.

Effective date: The day following final enactment and retroactive for aids and credit reimbursements payable in 2009.

Bovine TB Credit Distribution
Chapter 333, Article 1, Sections 12 and 13

Amends 35.244, subdivisions 1 and 2

Changes the authority for the Board of Animal Health to designate zones and controls to eliminate references to modified accredited zones, potentially signaling an impact on the bovine TB credits.

Property Tax Credits

Market Value Credit Reduction
Chapter 215, Article 13, Section 2

Adds 273.1384 subdivsion 6

Creates a permanent reduction to market value credits payable to cities and towns. The ongoing reduction is equal to the local government's 2010 unallotment of market value credit. The reduction may not reduce a local government's total payment to less than zero.

Effective date: For taxes payable 2011 and thereafter.

Market Value Credit Reduction
2010 First Special Session, Chapter 1, Article 13, Section 1

Amends 273.1384 subd. 6

Corrects the reference to unallotments to refer to the reductions in M.S. 477A.0132 that essentially ratified and replaced the unallotments.

Effective date: For taxes payable 2011 and thereafter.

St Charles Aid Payment; Fire
Chapter 389, Article 1, Section 31

Uncodified Provision

$50,000 is appropriated to the Department of Revenue in fiscal year 2011 to make a one-time payment to the City of St. Charles on December 26, 2010. The payment was authorized to compensate the city for losses associated with the fire at the North Star Foods plant in April of 2009.

Effective date: None listed; therefore effective August 1, 2010.

Bovine TB Credit Distribution
Chapter 389, Article 8, Sections 8 and 9

Amends 273.113, subd. 3; and 273.1392

Requires bovine tuberculosis credit to be distributed by the Department of Education rather than DOR, which is congruent with how all property tax credits alloted to school districts are distributed.

Effective date: Retroactively for taxes payable in 2009 and thereafter.

Ottertail County Aid Payment; Floods
Chapter 389, Article 10, Section 6

Adds Uncodified Provision

$100,000 is appropriated to the department of revenue in fiscal year 2011 to make a one-time payment to Ottertail County on December 26, 2010. The payment was authorized to compensate the county for losses associated with flood damage.

Effective date: None listed; therefore effective August 1, 2010.

Adjustments and Corrections

Abatements

Penalty Abatements for Disaster Emergency Areas
Chapter 389, Article 10, Section 2

Amends 270C.34, subdivision 1

Expands the departments's authority to abate penalties for late payments or filings to include taxpayers located in areas declared to be in a state of emergency by either the president or the governor. Current law limits abatements to only taxpayers in a presidentially declared disaster area. For airline penalties the "reasonable cause" reason is stricken.

Effective date: The day following final enactment.

Property Tax Programs and Incentives

Fiscal Disparities

Fiscal Disparities Study
Chapter 389, Article 1, Sections 28-29, 32

Adds uncodified provisions

Requires the department to conduct a study of the fiscal disparities (FD) program in M.S. Chapter 437F, and report to the Legislature by February 1, 2012. The study must analyze:

1. the extent to which benefits of economic growth are shared throughout the region;
2. FD's impact on the variabiity in tax rates across the region;
3. FD's impact on the distribution of homestead tax burdens; and
4. the relationship between the impacts of the program and the overburden on jurisdictions providing regional benefits.

The report must also describe other property tax, aid, and development programs that interact with FD.

Requires for taxes payable in 2011 only, the Met Council must certify a levy of $100,000 to the Ramsey County auditor, who will certify the levy to the administrative auditor as an addition to the Met Council's areawide levy under M.S. 473F.08, subd. 5. Upon receipt of the levy the Met Council must transfer the money to MMB for deposit in the general fund. $50,000 is then appropriated in FY 2011 and $50,000 in FY 2012 from the general fund to DOR to pay for the study.

Effective date: The study is effective January 1, 2011.

Sustainable Forest Incentive Act

2010 First Special Session, Chapter 1, Article 13, Section 4

Adds uncodified provision

Limits the incentive payments per Social Security Number (or ITIN) to $100,000 for payments made in fiscal year 2011, effectively validating the unallotment to this effect.

Effective date: The day following final enactment.

JOBZ

Create Automotive Recovery Zone (CARZ)
Chapter 216, Sections 33-43

Amends various provisions in 469.310 to 469.3181

Makes numerous changes in the JOBZ statutes to define a "create automotive recovery" zone intended for the site of the Ford plant in St. Paul. This becomes the first application of JOBZ in the metro and allows 12 years of benefits from designation of the zone (i.e. it will not expire in 2015). DEED is to designate the zone during 2012-2015 if the city enters into an agreement with an automaker to make a $100 million investment. Recieves the same benefits as JOBZ except a separate jobs credit is established.

Effective date: The day following final enactment, except the jobs credit changes which are effective for taxable years beginning after December 31, 2011.

Duration Extension for Wind Turbine Manufacturer
Chapter 216, Section 39

Amends 469.312, subd. 5

Extends the duration of JOBZ benefits by five years for parcels meeting certain requirements that are intended to apply to a wind turbine manufacturer in Duluth. The parcels may include the headquarters of the business in this country, training facilities, or manufacturing facilities. The business subsidy agreement must be executed after July 1, 2010, and before November 1, 2011.

Effective date: The day following final enactment.

JOBZ - Waiver Authority
Chapter 389, Article 7, Section 6

Amends 469.319, subd. 5

Imposes a deadline on requests for waiver of repayment to no later than 60 days after the notice date of an order issued by the Commissioner of Revenue, or in the case of property taxes, within 60 days of the date of property tax statement prepared by the auditor. Previously, there was no deadline for such requests made to the Commissioner of Revenue.

Effective date: For waivers requested in response to notices issued after the day following final enactment.

JOBZ - Certification of Continuing Eligibility
Chapter 389, Article 7, Section 7

Amends 469.3193

Changes the due date for the annual JOBZ certification form from December 1 to October 15 of each year. This aligns the due date with the other major JOBZ filing (the M-500) to increase awareness and compliance, and to allow more time to review and react prior to the time for tax calculation and extension.

Effective date: For certifications required to be made in 2010 and thereafter.

Flood Abatement

Tax Abatement; Newly Constructed Residential Structure in Flood Damaged Cities
Chapter 389, Article 1, Sections 26 and 27

Amends Minnesota Laws 2009, chapter 88, article 2, section 49

Extends the date for commencing construction of a structure to qualify for the tax abatement for new residential structures in flood-damaged cities from December 31, 2010, to December 31, 2011. Also changes the original effective date to allow for this extra year, making the program effective for assessment years 2010 to 2013 for taxes payable in 2011 to 2014.

Effective date: The day following final enactment (May 28, 2010), without local approval.

Tax Increment Financing

General Provisions

Definition of Tourism Facility
Chapter 216, Section 27

Amends 469.174, subdivision 22

Adds counites in development region 1 (Kittson, Roseau, Marshall, Pennington, Red Lake, Polk, and Norman) to the 30 current counties where tourism facility projects can use economic development district authority to establish a TIF district.

Effective date: Effective for TIF districrts with certfication request dates after June 30, 2010.

Compact Development District
Chapter 216, Sections 26, 28-30

Adds 469.176

Creates a new type of TIF district referred to in statute as a "compact development district". To qualify a TIF authority must find by resolution that 70 percent of the district is comprised of parcels occupied by structures classified as 3a commercial property, and the planned development must increase the square footage of the structures classified as 3a by three times.

Increments from the district must only be used for: administrative expenses, land acquisition, site preparation costs, and public infrastructure or improvements; but excluding road, highway, street, and parking improvements that are designed primarily to serve passenger automobiles.

The authority to create a district expires on June 30, 2012.

The duration limit for the district is 25 years after the first receipts of increment.

Effective date: Effective for TIF districrts with certfication request dates after June 30, 2010.

TIF Economic Development Districts
Chapter 216, Section 31

Amends 469.176, subdivision 4c

Removes obsolete language established in the 1990s allowing economic development districts for bedrock soils issues and for qualified border retail facilities.

Adds temporary authority to use economic development districts for any type of project, if the municipality finds the project will create new jobs in the state, including construction jobs, and the project otherwise would not have begun before July 1, 2011 without incentive. Certification must be requested by June 30, 2011, and construction must begin on or before July 1, 2011.

Effective date: Effective the day following final enactment (April 2, 2010). Applys only to districts for which the request for certification was made after June 30, 2009.

TIF Temporary Authority to Stimulate Construction
Chapter 216, Section 32

Adds 469.176, subdivsion 4m

Allows municipalities, after public notice and hearing and the approval of a written spending plan, to grant TIF authorities temporary authority (expires December 31, 2011) to use excess increment for constructing new buildings, or substantially rehabilitating existing buildings. These powers may be used only if the development would not have occurred without the incentive, if the development will create new jobs, and if construction begins prior to July 1, 2011. Authority may also be granted for a TIF authority to make equity investments in the development if it is needed to secure financing.

Effective date: The day following final enactment (April 2, 2010) .

Housing Replacement Districts
Chapter 216, Sections 45-46, 54

Amends/adds special uncodified laws

Amends previous special laws to allow Brooklyn Park to utilize housing replacement districts, to increase the number of parcels that other cities may include in housing replacement districts, and to give St. Paul another opportunity to take advantage of a previous special law to utilize housing replacement districts (they previously had the opportunity but did not provide timely local approval).

Effective date: Various.

TIF Economic Development Districts
Chapter 389, Article 7, Section 5

Amends 469.101, subdivision 1

Deletes a requirement that allows economic development authorities (EDAs) to establish economic development districts only if the blight tests for redevelopment districts are met. EDAs can essentially use HRA powers to accomplish the same outcomes and allowing the use of economic development districts to accomplish these ends reduces confusion and eliminates the need for cross-referencing into other statutory authority.

Effective date: The day following final enactment.

Specific Districts

Minneapolis TIF
Chapter 216, Section 47

Amends Minnesota Laws 2006, chapter 259, article 10, section 14, subdivision 3

Amends a previously enacted uncodified special law for a TIF district in the city of Minneapolis.

Effective date: Upon compliance by the city of Minneapolis with M.S. 645.021, subdivisions 2 and 3.

TIF Special Laws
Chapter 216, Sections 54-57, 59-60

Adds Uncodified Provisions

Uncodified special laws are enacted for TIF districts for the following cities:

St Paul

Oakdale

North Mankato

Cohasset

East Grand Forks

Effective date: Various.

Duluth Seaway Port Authority TIF
Chapter 382, Section 84

Amends Minnesota Laws 2009, chapter 88, article 5, section 17

Amends a previously enacted uncodified special law for a Duluth Seaway Port Authority TIF district.

Effective date: Upon approval by the governing body of the city of Duluth and compliance with M.S. 645.021, subdivision 3.

TIF Special Laws
Chapter 389, Article 7, Sections 21-23

Adds Uncodified Provisions

Uncodified special laws are enacted for TIF districts for the following cities:

Ramsey

Landfall

Wayzata

Effective date: Various.

Classification

Homesteads

Manufactured Home Park Cooperative Homestead
Chapter 389, Article 1, Section 10

Amends 273.124, subd. 3a

Provides that an entire manufactured home park may qualify for homestead treatment, except that "homestead treatment" in this context only means the class rates established (by article 1, section 15) under M.S. 273.13, subd. 25, paragraph (d). (Homestead treatment does not include homestead market value credit, or taxes payable for rent paid under 290A.03.) Previously the interpretation of this statute was a matter of dispute when it was first applied for taxes payable in 2009. The class rates for manufactured home parks are distinguished in class 4c(5) between manufactured home park cooperatives - class 4c(5)(ii) - and the more common manufactured home parks - class 4c(5)(i) - that are not cooperatives. The cooperatives have the same class rate as class 4d property (0.75%) if more than 50 percent of the lots are occupied by shareholders, and a class rate of 1.00% if 50 percent or less are occupied by shareholders.

History: This language was the result of a compromise between manufactured home park cooperatives and the Department of Revenue. Manufactured home park cooperatives preserve affordable housing, and promote investment and property upkeep. The cooperatives are a benefit to owners/shareholders with vested interest in the property. There are four manufactured home park cooperatives in Minnesota at this time, with two additional ones in the process of forming. There will not be individual tax statements for the land under this provision, because the land will continue to be assessed to the cooperative.

Prior to enactment of this language, the homestead treatment of land and buildings of manufactured home park cooperatives was ambiguous and difficult to administer. This language also keeps the value of the land distinct from the value of the individual homes occupied by members/others. However, the value of the land is not included with the owner's home tax for purposes of PTR.

M.S. 273.124, subd. 3a, was enacted years ago to extend "homestead treatment" to a manufactured home park owned by a cooperative, similar to how other types of cooperatives are treated (e.g. condominiums). Although lobbyists indicated that the first cooperatives have been in existence for a few years with several more in the works, the first two parks (Paul Revere in Anoka County and Sunrise Villa in Goodhue County) initiated treatment under this statute for taxes payable in 2009. Early in 2009, Anoka County requested an interpretation from the Department of Revenue on how to apply this homestead statute for their cooperative. The difficulty in answering this question arose from the uniqueness of manufactured home property taxation, namely that

manufactured homes taxed as personal property are payable in the same year that they are assessed, while manufactured home park land, like all real property, is assessed in one year with taxes payable in the following year.

There were two key problems generated by this reality. First, manufactured homes taxed as personal property are already entitled to homestead treatment and benefit from homestead class rates and market value credits. The cooperative statute provided "homestead treatment" to be claimed "for each lot occupied by a shareholder." It was not evidently clear as to whether this meant that a single additional homestead treatment should be extended to the cooperative, with the language about "for each lot occupied by a shareholder" being a reference to the area eligible for the benefit; or whether the statute implied "more" homestead treatment to each shareholder even if they already had homestead treatment for their personal property. If the latter was true, then it was not clear to what extent additional benefits must be eliminated by combining the real and personal values of the real and personal properties when determining the tier limits of the class rates or the calculation of the credits. This entailed prohibitive obstacles and appeared unfeasible.

Second, the department found the cooperative statute to be ambiguous in the language referring to "for each lot." A main question was whether this required the creation of separate legal descriptions or parcels with separate parcel numbers, or was the establishment of separate legal descriptions or parcels with parcel numbers a pre-requisite; or is the numbering allowed to be a less formal designation?

For taxes payable in 2009 the department recommended applying a single homestead benefit for the cooperative as the owner, and using the formal or informal designation of lots as determining the area that is eligible for the benefit. The department then proposed clarifying language to this effect in its legislative Department Policy Bill. Various manufactured home park interest groups objected, expecting greater benefits to be conferred by the statute despite any issues with the feasibility of crossing the personal-versus-real property temporal and systematic divides.

This provision, in conjunction with the class rate changes under section 15, represents a compromise that yields approximately the expected net tax burdens, but in a method that is easier to interpret and administer. As amended, homestead treatment is limited to the class rate benefit under section 15 for the park as a whole. It is further clarified that "homestead treatment" in this context does not include the market value credit (which likely computes to zero in most cases) or property tax refunds.

Under section 15, manufactured home park cooperatives are eligible for the same class rate as class 4d property (currently 0.75%) if more than 50 percent of the lots in the park are occupied by shareholders, and a class rate of 1 percent if 50 percent or less of the lots are so occupied. The distinction based on shareholder occupancy was meant to prevent substantial additional benefits, compared to the interest groups' interpretation of the law prior to these changes, from being afforded to parks with a smaller occupancy by shareholders. The true break-even point under the old and new laws may have varied depending on specific situations but was generally closer to full occupancy, perhaps in the 70-90% range.

Effective date: For taxes payable 2011 and thereafter.

Agricultural Homestead for Properties Leased to Entities
Chapter 389, Article 1, Section 11

Amends 273.124, subd. 8, adds paragraph (d)

Provides that agricultural property owned by a family farm corp., joint farm venture, LLC, or partnership that is contiguous to an individual's class 2a owner-occupied homestead (or, if non-contiguous, is located in the same township or city, or not farther than four townships or cities or a combination thereof from the class 2a homestead), may receive the first tier homestead class rate up to the first maximum market value on any remaining market value not received on the shareholder's, member's, or partner's homestead class 2a property.

The owner must notify the county assessor by July 1 that they have property which may qualify for taxes payable the next year.

History: In the past, the department has maintained that it is inappropriate to "link," for homestead purposes, agricultural properties held by an individual to other agricultural properties owned by authorized entities of which the individual person is a shareholder, member, or partner in that authorized entity. The department has said that to be linked, the properties must be owned by the same entity unless linking for separate spousal interest, grantor to trust-held property, or individual ownership to joint ownership with other individuals. This is still true.

However, with this law change, there is now one specific situation which allows parcels owned by different entities to be linked to the shareholder's, member's, or partner's homestead class 2a property in order to utilize any remaining first tier homestead class rate. This means that beginning with the 2010 assessment, agricultural property owned by a family farm corporation, joint farm venture, limited liability company, or partnership may be "linked" to an individual's agricultural homestead up to the amount remaining on the first tier of market value. This does not mean that they qualify for the other benefits of homestead. The linked parcel should not receive agricultural homestead market value credit, nor should the fact that it is linked qualify the property for Green Acres benefits. Any market value that exceeds the first tier continues to receive the non-homestead class rate. This provision is also not limited to the ownership percentage the individual has in the entity-held land.

Owners must notify the county assessor by July 1 that they have property that may qualify for value linkage for taxes payable the next year. Once the 10 contiguous acres of 2a property threshold is met for these additional parcels, the land qualifies for linkage for the reduced class rate, as well as any contiguous class 2b property on the same parcel and under the same ownership. For example, Ole and Lena own, occupy, and homestead their own farm. In addition, they own and farm additional farm land with Sven and Uma, which is owned under the name Norsk Family Farms, Inc. The family farm corporation has been approved to own and farm land under section 500.24. Beginning with the 2010 assessment, Ole and Lena can now extend their first-tier homestead class rate to the corporately-held land up to the first tier value limit.

This new provision has no effect on linking entity-owned land to other entity-owned land (e.g. partnership land to corporation land, trust-held land to corporation land, etc.). That is still not allowed under law.

Effective date: Assessment year 2010 and thereafter, taxes payable 2011 and thereafter.

Special Agricultural Homestead - Marshall County Flood
Chapter 389, Article 1, Section 12

Amends 273.124, subd. 14 paragraph (j)

Provides a special agricultural homestead for class 2a homestead property located in Marshall County. The property must have been class 2a homestead for the 2008 assessment year, but the homestead dwelling was abandoned due to March 2009 floods. The land and buildings must be under the same ownership currently as for the 2008 assessment, the dwelling now occupied by the owner must be located in MN and within 50 miles of one of the parcels of agricultural land owned by that taxpayer, and the owner must notify the county assessor that relocation was due to the 2009 floods. The owner must furnish the assessor with any information deemed necessary by the assessor to determine the change in dwelling.

Effective date: Assessment years 2010 and 2011, for taxes payable 2011 and 2012.

Class 1

Class 1c Ma and Pa Resort
Chapter 389, Article 1, Section 13

Amends 273.13, subd. 22

Amends "ma and pa" resort language so that if an owner of a class 1c resort ceases to use that resort as a homestead, but continues to operate it as a resort, and moves to another resort as a homestead in the same township, that both properties will be assessed as a single class 1c resort (with one tier).

History: This language was created to address a property in Cook County that had been a class 1c resort property. The owners had a second resort, which they later began to occupy as a homestead. This second resort was granted the 1c classification, and the assessor appropriately reclassified the first resort as a commercial (non-homestead) resort property. This language provides for one total tier (not one for each property) and one total homestead (HGA). This language represents a change in precedent for allowing homestead classes to extend to non-contiguous properties not actually used for the purposes of homestead. For this language, the resort entities must have identical ownership.

Effective date: For taxes levied in 2010, payable in 2011, and thereafter.

Class 2

Agricultural Property Used for Horse Boarding/Breeding
Chapter 389, Article 1, Section 14

Amends 273.13, subd. 23

Provides that commercial boarding of horses, which may include related horse training and riding instruction, may be an agricultural product if the boarding is done on property that is also used for raising pasture to graze horses or cultivating other agricultural products (livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruits of all kinds, vegetables, forage, grains, bees, and apiary products by the owner).

History: As part of the Assessment and Classification Practices Report on Property Used for Horse Breeding and Horse Boarding Activities that was issued in January 2010, the department agreed to issue administrative guidelines to all assessors based on the recommendations set forth within that report as well as any 2010 statutory changes in order to allow for a more uniform and equalized assessment of properties used for horse boarding and breeding activities. These guidelines were essentially codified by this provision.

To be considered class 2a agricultural land, at least 10 contiguous acres must be used for agricultural production (not including the rare exceptions for exclusive or intensive use). Under thisp rovision, ten acres or more of pasture being used to provide feed as part of a commercial boarding operation on the same property may qualify the property for the agricultural classification. In addition, horse training and riding instruction related to the commercial boarding may also be included in the agricultural classification if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products specified in section 273.13, subdivision 23, paragraph (i), clause (1). It is the expectation that the training and riding instruction related to the commercial boarding is that which is provided to those individuals who are boarding their horses onsite. If the training and riding instruction are provided to the general public (e.g. those who do not board their horses onsite) that portion of the property would be classified as commercial.

Land used to produce horses bred or raised for sale should also qualify toward the 10-acre requirement for the agricultural classification. Assessors must use good professional judgment to differentiate between hobby and

business enterprises. Assessors may want to ask for additional information such as receipts of sale, Schedule F, etc. to help make this determination. Additionally, ten acres or more of pasture being used to feed horses that are being bred/raised for sale may qualify for the agricultural classification since there is a product being sold (the horses).

Ten acres or more of pasture used to provide feed for horses that are being used by the owners for their own personal/recreational use DOES NOT qualify the property for the agricultural classification – there is not an agricultural product being produced for sale. Also, horses used for personal or recreational use do not enable a property to qualify for the agricultural classification. (There are no agricultural products being produced for sale in this situation.)

If a property is used for both breeding horses for sale and commercial boarding, the assessor would classify the entire property as agricultural, assuming there is no other use of the property (e.g. rural vacant land which would be classified as class 2b or a tack shop or event center which would both be classified as class 3a commercial, etc.). Any commercial use of the property such as tack shops, riding lessons for the general public, horse rental (e.g trail rides, hay rides, or other service typically sold by the hour), conference centers, event centers, etc. must be classified as 3a commercial property.

Effective date: For taxes payable 2011 and thereafter.

Class 4

Manufactured Home Park Cooperative Classification
Chapter 389, Article 1, Section 15

Amends 273.13, subd. 25

Manufactured home parks are distinguished between those that are - or are not - owned by manufactured home park cooperatives under Minnesota Statutes, section 273.124, subd. 3a. This section creates a new class 4c(5)(ii) for manufactured home parks described in 273.124, subd. 3a; other manufactured home parks are now distinguished as class 4c(5)(i). The cooperatives have the same class rate as class 4d property (currently, 0.75%) if more than 50 percent of the lots are occupied by shareholders, and a class rate of 1.00% if 50 percent or less of the lots are occupied by shareholders. Under prior law the park would have been a mix of the homestead class rates of 1.00% on value up to $500,000 and 1.25% on value exceeding $500,000 and of the 1.25% class rate for manufactured home parks for any non-homestead portions. See section 10 for additional information.

Effective date: For taxes levied in 2010, payable in 2011 and thereafter.

Marinas, Class 4c(11)
Chapter 389, Article 1, Section 15

Amends 273.13, subd. 25

Class 4c(11) (marinas) are extended to properties owned by a marina that does NOT provide access ramp or facility, but is located next to public property that provides the access. The new language clarifies that "public access" means that the marina provides lake or river access to the public by means of an access ramp or other facility (such as a boat-crane). The new language also allows a marina to receive the 4c(11) classification if the marina is abutting publicly owned property that contains public access to a lake or river.

Effective date: For taxes levied in 2010, payable in 2011 and thereafter.

Alternate Taxation/ Payments in Lieu

PILT

PILT for Soudan State Park
Chapter 389, Article 1, Section 25

Amends 477A.17

Provides that any PILT payment under M.S. 477A.12, subdivision 1 for the land included within the boundary of Soudan Underground Mine State Park will equal 1.5 % of the appraised value of the land. The payment must be distributed to the taxing jurisdictions (for general purpose use) as follows: 1/3 to the school district, 1/3 to the township, 1/3 to the county.

Effective date: Payments made in calendar year 2011 and thereafter.

Truth in Taxation

Mailed Notices

Truth in Taxation Notice
Chapter 389, Article 1, Section 16

Amends 275.065, subd. 3

Provides that a personal phone number or address does NOT have to be provided on the notice of proposed taxes as the contact information for a taxing authority. If the taxing authority does not maintain public offices where calls can be received, the authority may indicate this to the county auditor who may leave the telephone unidentified. This provision was promoted by the townships, where this may be a common situation. The township is still required to post an address (e.g. town hall or P.O. Box).

Effective date: For notices prepared in 2010, for taxes payable in 2011 and thereafter.

Public Hearings

TNT Meeting Requirements
Chapter 389, Article 8, Section 10

Amends 275.065, subdivision 3

Clarifies that cities with population under 500 are not required to have a truth in taxation (TNT) meeting. Also clarifies that for those local goverments subject to TNT requirements, only one TNT meeting must be held to be in compliance. This cleans up language passed in the 2009 session that unintentionally included cities with populations under 500 as part of TNT reform and also created confusion as to how many meetings a local government is required to hold.

Effective date: Retroactively for taxes payable in 2010 and thereafter.

Property Tax Collection and Distribution

Property Tax Collection

Electronic Payments
Chapter 389, Article 1, Sections 19 and 21

Amends 276.02

Allows taxes to be paid by electronic payments, including but not limited to automated clearing house transactions and federal wires. The county may impose a charge for dishonored electronic payments. Charges for dishonored payments shall be a lien on the property.

History: This language was presented as codification of current practice and as a cost-saving measure. Some counties had also been reluctant to address NSF fees because there was not clarity on their authority to impose such fees for refused payments. It is also more cost-effective to add these fees to the overall lien against a property, rather than attempting to collect them in a different manner.

Effective date: For taxes payable 2011 and thereafter.

Payment of Taxes
Chapter 389, Article 1, Section 20

Amends 279.01, subd. 1

Changes the amount of taxes that requires payment in two installments from $250 to $100.

History: In 2009, the threshold was changed from $50 to $250 but this created significant tax increases for some taxpayers with multiple parcels. The ability to apply the optional authority to apply the threshold to multiple parcels under the same ownership is limited by cost-prohibitive programming changes. The $100 threshold represents a more modest adjustment to compromise between the concerns of taxpayers with multiple parcels and the desire to limit the costs of applying multiple installments for modest amounts.

Effective date: For taxes payable 2011 and thereafter.

Agricultural Property - Due Dates
Chapter 389, Article 8, Section 13

Amends 279.01, subd. 3

Provides that only parcels of property with class 2a agricultural land will be eligible for a second-half due date of November 15. Class 2b rural vacant land parcels will have a second-half payment date of October 15. (However, note that if a parcel has any class 2a, then the due date is the later due date even if there is class 2b with the class 2a.) For taxes payable in 2010 and 2011, for any property that was subject to an October 15 due date for taxes payable in 2009, the county shall not impose (or shall abate) penalty amounts in excess of those that would apply if the second-half due date were still November 15.

History: A technical amendment was required to account for changes in classifications made during the 2008 legislative session. It was determined that the intent of the November 15 second half date was to account for income that farmers receive after harvesting, and this later due date allowed farmers time to receive that income before having taxes due. The options were to provide a November 15 due date for agricultural homesteads, only class 2a lands, or all class 2a and 2b lands. There was some concern that including class 2b lands would capture many rural vacant land properties that were formerly residential or seasonal with no connection to agricultural

land. If all 2b properties had been granted the later second-half date, there would be a potential cash flow problem because it would have given a later second-half date to all properties that were split-classed with 2b (e.g. res/2b, SRR/2b). The two year allowance to not impose, or to abate, penalties allows farmers two years to familiarize themselves with any changes in payment dates and allows time to assess the rate of late payments.

Effective date: The changes regarding second-half due date are effective for taxes payable 2012 and thereafter, the changes allowing for abatement or authority to not impose a penalty are effective for taxes payable 2010 and 2011 only.

Settlement of State Property Taxes
2010 First Special Session, Chapter 1, Article 2, Section 3

Amends 276.112

Changes the dates that the state general property tax payments must be settled and paid to the state to be the same as those provided for school districts. This is a cash flow provision for the state and accelerates and increases the number of payments to the state.

Effective date: For distributions beginning October 1, 2010 and thereafter.

Special Assessments and Charges

Special Assessments for Energy Efficiency Financing Program
Chapter 216, Sections 3 and 4

Adds 216C.435 and 216C.436

The voluntary energy improvements financing program for local governments is defined and authorized.

Effective date: The day following final enactment.

Special Assessments for Energy Efficiency Financing Program
Chapter 216, Section 21

Amends 429.021, subd. 1

Grants a city the power to assess affected property owners for repayment of voluntary energy improvement financings under the new M.S. 216C.436, subd. 7.

Effective date: The day following final enactment.

Special Assessments for Energy Efficiency Financing Program
Chapter 216, Section 22

Amends 429.101, subd. 1

Grants a county, city, or town operating an energy improvements financing program the authority to collect the costs of financed energy improvements using a special assessment.

Effective date: The day following final enactment.

Special Assessments for Energy Efficiency Financing Program
Chapter 389, Article 7, Section 4

Amends 469.101, subd. 1

Grants a county the power to use the municipality power to use special assessments for an energy improvements financing program under the new M.S. 216C.436.

Effective date: The day following final enactment.

Special Assessments for Energy Efficiency Financing Program
Chapter 389, Article 7, Sections 11-19

Amends 216C.435 and 216C.436

Makes changes to the program created in chapter 216 to include HRAs, EDAs, port authorities, and other authorities as implementing entities.

Effective date: The day following final enactment.

Tax-Forfeited Lands

Government Acquisitions

Conditional Use Deeds
Chapter 389, Article 9

Article 9, relating to conditional use deeds, is a reform initiative lead by the Department of Revenue to address the deficiencies and problems with the original 1941 law. Counties are primarily tasked with classifying, managing, and selling tax-forfeited lands, while the department executes the deeds when tax-forfeited lands are sold or otherwise transferred. Under the 1941 law, there were generally only two ways that a governmental subdivision could acquire tax-forfeited property: (1) for any public purpose by paying full market value to receive a quit-claim deed, or (2) for an authorized public use, free of charge, but with a use-restricted reversionary clause, or "use deed." Use deeds, representing the "free" option, have arguably been over-utilized and created numerous administrative problems for counties and the department, as well as numerous known and latent title problems due to the shortcomings of the original law. The primary shortcomings include the lack of clear purpose or definition as to what constitutes an authorized public use, and the false expectation that a perpetual reversionary clause could be effectively enforced.

These reforms clarify and limit the uses for which a conditional use deed may be acquired, provide other alternatives for acquiring tax-forfeited lands for less than full market value for specific purposes, put time limitations on the reversionary clause, improve the classification process, and make numerous other changes to address a variety of problems and issues.

Conditional Use Deeds - Classification as Conservation or Nonconservation
Chapter 389, Article 9, Section 1

Amends 282.01, subd. 1

This section makes several changes to the process for classifying tax-forfeited property:

First, old language on the classification and reclassification of tax-forfeited lands is eliminated.

Second, changes are made to the process by which counties classify tax-forfeited lands as conservation or non-conservation. Generally, the county manages conservation lands while nonconservation lands become available for sale to the public or acquisition by governmental subdivisions. Under previous law, counties made classification decisions based on unsolicited input and the classification required local approval, which if disapproved resulted in a stalemate with no process for resolving disagreements. The new law provides a more structured process that provides notice and solicits input before counties determine a property's classification. Counties are allowed to opt to use a restated version of the previous law process, provided that the new process be used in case of stalemates.

Third, the new law changes the process by which a local government can request that lands be withheld from public sale for their potential acquisition. The previous law process did not explicitly prohibit indefinite renewals of the request to withhold the property, effectively allowing it to be blocked from public sale without any real pending acquisition plans. The old language is stricken from this subdivision and the new process, which prevents continually-repeated and last-minute requests, is added in section 2.

Lastly, this section relocates language regarding the splitting or combining of tax-forfeited parcels to this subdivision as is stricken from its location in previous law under section 9.

Effective date: July 1, 2010.

Conditional Use Deeds - Conveyance to Public Entities
Chapter 389, Article 9, Section 2

Amends 282.01, subd. 1a

The first change in this section adds a new process for withholding lands from sale due to local government interest in acquisition, replacing what was deleted in Section 1. Under this process, the land may be withheld for 6 months but a subsequent request cannot be made within 18 months of the first request and any request may be rejected by the county if it is after 30 days from the county giving notice of the sale.

The remainder of this section changes the existing opportunities for local government acquisition. Under previous law, the opportunities were limited to purchasing at full market value for any purpose or receiving free-but-contingent deeds for an authorized public use. The free "use deed" option had been the subject of debate over its appropriate application and compliance-related issues that have resulted in title problems. The new law significantly limits the uses for which these use-contingent deeds may be acquired while providing new alternative methods for acquisition that are more tailored to specific needs and purposes.

The purchase option for local governments and state agencies are preserved, and "market value" is clarified to be an estimate of the full and actual market value as determined by the county board and does not require a formal appraisal.

The authorized public uses for which for which a "use deed" may be granted are limited to:

- A road, or right-of-way for a road;
- A park that is both available to, and accessible by, the public that contains amenities such as campgrounds, playgrounds, athletic fields, trails, or shelters;
- Trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;
- Transit facilities for buses, light rail transit, commuter rail or passenger rail, including transitways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;
- Public beaches or boat launches;
- Public parking;
- Civic recreation or conference facilities; and
- Public service facilities such as fire halls, police stations, lift stations, water towers, sanitation facilities, water treatment facilities, and administrative offices.

New free methods of acquisition are provided for:

- Outlots that developers promised but failed to convey to local governments under development agreement.
- Parcels that associations of common interest communities were entitled to under a written agreement that forfeited without conveyance.

New methods of acquisition at a price that may be less than market value (as negotiated between the county and local government) are provided for:

- Correcting blight;
- Developing affordable housing;
- Creating or preserving wetlands;
- Managing the drainage or storage of storm water under a management plan; and
- Preserving land in its natural state.

The option for preserving land in its natural state requires a restrictive covenant for 30 years. The lands may be reconveyed back to the state, at which point the restrictive covenant would cease. If reconveyed lands are to be sold, the county board can take into account the original amount paid when setting the terms of the sale. If the reconveyed lands are unplatted and located outside of an incorporated municipality, the sale is subject to the approval of the commissioner of the Department of Natural Resources if the commissioner determines there is a mineral use potential.

Paragraph (i) clarifies that a park and recreation board in a city of the first class qualifies as a governmental subdivision for purposes of this section.

Effective date: July 1, 2010.

Conditional Use Deeds - Conveyance; Targeted to Community Lands
Chapter 389, Article 9, Section 3

Amends 282.01, subd. 1b

This section made several, mostly minor, changes. First, it renames this provision from "targeted neighborhood lands" to "targeted community lands" to be consistent with 2009 law changes that affected the cross-referenced statute. Second, it limits the provisions for the conveyance of lands located within targeted communities to those lands that are in a city of the first class. Prior to the 2009 law changes, these lands were limited to cities of the first class and this change prevents the extension of the changes in the targeted communities law to also expand the availability of this option elsewhere. Third, it clarifies that this conveyance is by a quit claim deed rather than a use deed. Fourth, it clarifies that such a conveyance requires a favorable recommendation of the county board. Finally, this section also deletes application requirements that arguably implied a use restriction and are not necessary for a quit claim deed.

Effective date: July 1, 2010.

Conditional Use Deeds - Deed of Conveyance; Form; Approvals
Chapter 389, Article 9, Section 4

Amends 282.01, subd. 1c

This section clarifies that conditional use deeds convey a defeasible estate, and that reversion occurs by operation of law and without requirement of any affirmative act by the state. The department has long maintained this position and the new language will help to solidify this interpretation and prevent confusion.

Effective date: July 1, 2010.

Conditional Use Deeds - Reverter for Failure to Use; Conveyance to State
Chapter 389, Article 9, Section 5

Amends 282.01, subd. 1d

This section clarifies the actions that must occur when a local government fails to put the land to the use required in the "use deed", and specifically clarifies that there is no failure to put the land to the use and no abandonment of that use if that use is contained in a formal plan of that local government. One common instance was for a city to acquire land for a trail but the trail could not be created until other parcels were acquired, making it difficult to accomplish in a 3-year period.

This section also deletes language providing that a sale, lease, transfer, or other conveyance under Chapter 469 does not constitute a failure or abandonment of use. This provision created significant compliance problems for the Department of Revenue and substantially defeated the use restrictions by allowing the potential for disingenuous applications for use deeds and subsequent sale of that property. The previous law essentially provided that if a city acquired a parcel for a park use, but then sold the parcel pursuant to chapter 469, the department was to view that sale as not abandoning the use and to consider it still in compliance with the park use. The new method of acquisition in Section 2 relating to blight and economic development is intended as a more focused substitute to this deleted provision.

New language is added that allows a local government to exchange a "use deed" issued on or after January 1, 2007 for a quit claim deed after 15 years if it has demonstrated compliance with the use restriction and received the favorable recommendation of the county board. For "use deeds" issued before January 1, 2007 the use restriction and possibility of reversion is released on January 1, 2022 if the county board records a document to that effect.

New language is added that nullifies the use restriction on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) upon final resolution of an appeal initiated prior to January 1, 2015. This effectively creates a 30-year expiration on all "use deeds", but allows counties and the Department of Revenue the possibility to pursue compliance action through 2014 on existing deeds.

Effective date: July 1, 2010.

Conditional Use Deeds - Fees
Chapter 389, Article 9, Section 6

Amends 282.01 subdivision 1g

This new provision establishes an application fee of $250 for use deeds, $150 of which shall be refunded if the application is denied. The proceeds must be deposited in a Department of Revenue revolving fund and are appropriated to the Commissioner of Revenue for making the $150 refunds and administering conditional use deed laws. In addition to assisting with administrative costs, which are much more burdensome for use deeds, this provision is also meant to dissuade completely speculative acquisition of use deeds which can occur when there is no cost to making the application. The new cost may require local governments to be more judicious and purposeful in applying for a use deed.

Effective date: For applications received by the commissioner after June 30, 2010

Conditional Use Deeds - Form
Chapter 389, Article 9, Section 7

Amends 282.01 subdivision 1h

This section requires the instruments of conveyance under 282.01, subd. 1a, par. (c), (d), (e), (f), (g), and (h) and under section 282.01, subd. 1d, par. (b) to be on a form approved by the Attorney General and provides that such instruments are prima facie evidence that the execution and issuance of the conveyance complies with the applicable laws. Each of the cited provisions has varying requirements and this provision assures persons examining the real estate records that the various requirements were met.

Effective date: For deeds executied by the commissioner of revenue after June 30, 2010.

Conditional Use Deeds - Conservation Lands; County Board Supervision
Chapter 389, Article 9, Section 8

Amends 282.01, subd. 2

This section deletes obsolete language, clarifies the circumstances under which lands classified as conservation lands may be sold or conveyed, and makes other minor technical and organizational changes to the language.

Effective date: July 1, 2010.

Conditional Use Deeds - Nonconservation Lands; Appraisal and Sale
Chapter 389, Article 9, Section 9

Amends 282.01, subd. 3

This section adds paragraph numbering and deletes language that was moved to section 1.

Effective date: July 1, 2010.

Conditional Use Deeds - Sale: Method, Requirements, Effects
Chapter 389, Article 9, Section 10

Amends 282.01, subd. 4

This section provides cross-references to changes in other sections.

Effective date: July 1, 2010.

Conditional Use Deeds - County Sales; Notice, Purchase Price, Disposition
Chapter 389, Article 9, Section 11

Amends 282.01, subd. 7

This section clarifies that the ability to add reappraised lands to a sale only applies to nonconservation lands.

Effective date: July 1, 2010

Conditional Use Deeds - City Sales; Alternate Procedures
Chapter 389, Article 9, Section 12

Amends 282.01, subd. 7a

This section allows the sale of irregular parcels that cannot be improved without being adjoined to a neighboring parcel to be sold for less than its appraised value. Counties often have trouble getting small "sliver" parcels back on the tax rolls because they must sell them for their full value, but the neighboring land owner, who might be making private use of the property anyway, has no incentive to pay for the parcel when they can utilize it (and avoid the taxes) for free. By allowing these parcels to be sold for as little as $1, this may help make these transactions easier and get the property back on the tax rolls.

Effective date: July 1, 2010.

Conditional Use Deeds - Notice; Public Hearing for Use Change
Chapter 389, Article 9, Section 13

Amends 282.01 subdivision 12

This section requires notice to surrounding landowners within 400 feet of a parcel and a public hearing if a governmental subdivision intends to change the use of a parcel acquired by a use deed. This language was added by the House author to protect neighboring properties from possible changes in use to properties that have long been held under a use restriction. Therefore, once a use restriction expires, a change in use requires notice and a public hearing.

Effective date: July 1, 2010; applies to a change in use of a parcel acquired under M.S.S 282.01, whether acquired by the governmental subdivision before or after the effective date of this section.

Conditional Use Deeds - Repealer
Chapter 389, Article 9, Section 14

Repeals 282.01, subdivisions 9, 10, and 11; and 383A.76

This section repeals obsolete provisions (Minnesota Statutes 2008, sections 282.01, subdivisions 9, 10, and 11); and repeals Minnesota Statutes 2008, 383A.76 which contains alternative "use deed" provisions for cities in Ramsey County that are inconsistent with the changes in Sections 1-13.

Effective date: July 1, 2010.

Delinquency and Forfeiture

Interest Rate/Judgements Involving The State
Chapter 249, Article , Section 1

Amends 549.09, subd. 1

Corrects a 2009 law change to exclude judgments exceeding $50,000 for or against the state or a political subdivision of the state from the 10% rate established by the 2009 change. The change to this section was made in 2009 without recognition of the cross-references that tie property tax judgments to this statute.

Effective date: The day following final enactment (April 16, 2010) and applies to judgments and awards finally entered on or after that date.

Composition into One Item
Chapter 389, Article 8, Section 14

Amends 279.37, subd. 1

Updates an obsolete reference to "timberland" to allow unimproved property to be eligible to be composed into a confession of judgment only if the land is classified as homestead, agricultural, rural vacant land, or managed forest land.

Effective date: The day following final enactment.

Property Tax Refund

Internal Revenue Code
Chapter 216, Section 14

Amends 290A.03, subd. 15

Adopts the federal changes that affect household income by extending the difinition of the Internal Revenue Code to amendments through March 18, 2010.

Effective date: For property tax refunds based on property taxes payable after December 31, 2009, and rent paid after December 31, 2008.

Validation of Unallotment of Renter Refunds
2010 First Special Session Chapter, Article 13, Section 4

Adds an uncodified provision

Requires refunds for rent paid during 2009 to be based definitions of property taxes equating to 15 percent of rent, rather than 19 percent of rent. This essentially validates the unallotments to this effect.

Effective date: The day following final enactment.

Miscellaneous

Council on Local Results and Innovation
Chapter 389, Article 2, Section 1

Adds 6.90

Establishes the Council on Local Results and Innovation to develop a standard set of performance measures for counties and cities by February 2011. The measures must aid residents, taxpayers, and state and local elected officials in determining the efficacy of counties and cities in providing services, and also measure residents' opinions of those services. The council will compile performance measurements from participating counties and cities and report them to the legislature and other interested parties. The council will promote the use of performance measurement and serve as a resource to local governments. Members of the council are the State Auditor and appointees of the legislature and local government associations.

Effective date: The day following final enactment.

Local Performance Measurement and Reporting
Chapter 389, Article 2, Section 2

Adds 6.91

Counties and cities that participate in the performance measurement must annually report the results to citizens via publication, website, or public hearing. Beginning in 2011, participating jurisdictions are eligible for state reimbursement of costs equal to 14 cents per capita up to a maximum of $25,000 per jurisdiction. Participating jurisdictions are exempted from levy limits beginning with taxes levied in 2011, payable in 2012 (levy limits are currently scheduled to expire with taxes levied in 2010, payable in 2011).

Effective date: December 31, 2010.

Property Tax System Benchmarks and Critical Indicators
Chapter 389, Article 2, Section 3

Adds 270C.991

A new statute identifies principles and critical indicators that should be used to create a more accountable and efficient property tax system. The following principles should be taken into consideration:

1. transparent and understandable;
2. simple and efficient;
3. equitable;
4. stable and predictable;
5. compliance and accountability;
6. competitive, both nationally and globally; and
7. responsive to economic conditions.

The critical indicators available to legislators include: (1) the property tax principles listed above; (2) the price of government report; (3) the tax incidence report; (4) the tax expenditure budget and report; (5) state tax rankings; (6) property tax levy plus aid data, and market value and net tax capacity data; (7) effective tax rates; (8) assessment sales ratio study; (9) the "Voss" database, which matches homeowner property taxes and household income; (10) revenue estimates and state fiscal notes; and (11) local impact notes.

A property tax working group is established. The goals of the working group are:

1. to investigate ways to simplify the property tax system and make advisory recommendations on ways to make the system more understandable;
2. to reexamine the property tax calendar to determine what changes could be made to shorten the two-year cycle from assessment through property tax collection; and
3. to determine the cost versus the benefits of the various property tax components, including property classifications, credits, aids, exclusions, exemptions, and abatements, and to suggest ways to achieve some of the goals in simpler and more cost-efficient ways.

The 13-member working group shall consist of the following members: two state representatives, both appointed by the chair of the house of representatives Taxes Committee, one from the majority party and one from the largest minority party; two senators appointed by the Subcommittee on Committees of the Senate Rules and Administration Committee, one from the majority party and one from the largest minority party; the commissioner of revenue, or designee; one person appointed by the Association of Minnesota Counties; one person appointed by the League of Minnesota Cities; one person appointed by the Minnesota Association of Townships; one person appointed by the Minnesota Chamber of Commerce; one person appointed by the Minnesota Association of Assessing Officers; two homeowners, one who is under 65 years of age, and one who is 65 years of age or older, both appointed by the commissioner of revenue; and one person jointly appointed by the Minnesota Farm Bureau and the Minnesota Farmers Union.

The commissioner of revenue shall chair the initial meeting, at which a chair shall be elected. Members will serve without compensation. The commissioner of revenue must provide administrative support to the working group. Meetings of the working group are not subject to Chapter 13D, require notice, must be open to the public, and occur when a quorum is present.

The working group shall make its advisory recommendations to the Legislature on or before February 1, 2012, at which time the working group shall be finished.

On or before March 1, 2012, and every two years thereafter, the tax committees in each body must: review the major indicators, ascertain the accountability and efficiency of the property tax system, and prepare a resolution on targets and benchmarks for use during the current biennium.

Beginning in 2011, Department of Revenue revenue estimates for proposed legislation must also identify how the property tax principles apply to the proposed tax changes, using a scale developed by the department. The deparment shall quantify the effects, if possible, or at a minimum, identify the relevant factors so that legislators are aware of possible outcomes, including administrative difficulties and cost. The interaction of property tax shifting should be identified and quantified to the degree possible.

Effective date: The day following final enactment.

Library Maintenance of Effort
Chapter 389, Article 8, Section 1

Amends 134.34, subd. 4

Modifies a provision relating to Department of Education grants to regional library systems if a city or county participating in the system reduces its support of public library services beyond certain limits by correcting two cross references and clarifying that "credits" and "credit reductions" refers to market value credit reimbursements under section 273.1384 and associated reimbursement-reductions.

History: This was a DOR technical item to correct changes implemented in 2009. The main error needing correction was the wrong citation for market value credits (273.1384, not 273.1398). As long as that needed correction the department used the more proper reference of "credit reimbursements" (what is paid to the jurisdictions) rather than just referring to "credits" (which are the relief the taxpayer receives). This section is the Library Maintenance of Effort (MOE) provision and last year's change was to allow the MOE to be adjusted for reductions to aids and credits.

Effective date: Retroactively to changes in support made in 2009 and thereafter for grants paid in FY10 and thereafter.

Requirements for New or Renewed Tax Expenditures
Chapter 389, Article 10, Section 1

Adds 3.192

Requires any bill that creates, renews, or continues a tax expenditure to include a statement of intent that clearly provides the purpose of the tax expenditure and a standard or goal against which its effectiveness may be measured.

Effective date: For tax expenditures enacted after July 1, 2010.

Tax Expenditure Review Report
Chapter 389, Article 10, Sections 5 and 10

Adds uncodified provisions

Requires the Deparment of Revenue to provide a report by February 15, 2011, suggesting a process for the periodic review and sunset or extension of tax expenditures on an ongoing basis.

The report must include, for each tax:

1. a definition of the tax base for the tax;
2. a definition of a tax expenditure for each tax; and
3. a list of existing provisions in law that meet the definition of tax expenditures for each tax.

The report shall include a suggested list of information needed to allow evaluation of new and existing tax expenditures in meeting the state goal of each tax expenditure and the general tax principles: (1) transparency and understandability; (2) simplicity and efficiency; (3) equity; (4) stability and predictability; (5) complaince and accountability; (6) national and global cometitiveness; and (7) conformity of the expenditure with corresponding federal taxes and multistate agreements.

Effective date: The day following final enactment.

Classification Rate Table for Assessment Year 2010

Class	Description	Tiers	Class Rate	State Rate
1a	**Residential Homestead**	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
1b	**Blind/Disabled Homestead**	First $50,000	0.45%	NA
1c	**Ma & Pa Resort**	First $600,000	0.50%	NA
		$600,000 - $2,300,000	1.00%	NA
		Over $2,300,000	1.25%	1.25%
1d	**Migrant Housing** (Structures Only)	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
2a	**Homestead House, Garage, One Acre (HGA)**	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
2a/2b	**1st Tier Homestead Property**	First $1,140,000 (2a+2b)	0.50%	NA
2a/2b	**Farming Entities Excess 1st Tier** (Unused From Hmstd)	Unused First $1,140,000	0.50%	NA
2a	**Agricultural Land** (Hmstd Remainder & Non-Hmstd; Includes Structures)		1.00%	NA
2b	**Rural Vacant Land** (Hmstd Rem. & Non-Hmstd; Incl. Minor Ancil. Structures)		1.00%	NA
2c	**Managed Forest Land**		0.65%	NA
2d	**Private Airport**		1.00%	NA
2e	**Land with a Commercial Aggregate Deposit**		1.00%	NA
3a	**Commercial/Industrial and Public Utility**	First $150,000	1.50%	1.50%
		Over $150,000	2.00%	2.00%
	Electric Generating Public Utility Machinery		2.00%	NA
	All Other Public Utility Machinery		2.00%	2.00%
	Transmission Line Right-Of-Way (Owned in fee by a utility)		2.00%	2.00%
3b	**Employment Property** (Border City Zones)	First $150,000	1.50%	1.50%
		Over $150,000	2.00%	2.00%
4a	**Apartment** (4+ Units, Including Private For-Profit Hospitals)		1.25%	NA
4b(1)	**Residential Non-Homestead** (1-3 Units Not 4bb or SRR)		1.25%	NA
4b(2)	**Unclassified Manufactured Home**		1.25%	NA
4b(3)	**Ag Non-Homestead** (2 or 3 Units, Garage, One Acre)		1.25%	NA
4b(4)	**Unimproved Residential**		1.25%	NA
4bb(1)	**Residential Non-Homestead** (Single Unit)	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
4bb(2)	**Ag Non-Homestead** (Single Unit, Garage, One Acre)	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
4c(1)	**Seasonal Residential Recreational (SRR)**			
	Commercial (Resort)	First $500,000	1.00%	1.00%
		Over $500,000	1.25%	1.25%
	Non-Commercial (Cabin)	First $76,000	1.00%	0.40%
		$76,000 - $500,000	1.00%	1.00%
		Over $500,000	1.25%	1.25%
4c(2)	**Qualifying Golf Course**		1.25%	NA
4c(3)(i)	**Non-Profit Comm. Service Oriented Organization (Non-Revenue)**		1.50%	NA
4c(3)(ii)	**Non-Profit Comm. Service Oriented Organization (Donations)**		1.50%	1.50%
4c(4)	**Post-Secondary Student Housing**		1.00%	NA
4c(5)(i)	**Manufactured Home Park**		1.25%	NA
4c(5)(ii)	**MH Park Cooperative (Over 50% Shareholder Occupied)**		0.75%	NA
4c(5)(ii)	**MH Park Cooperative (50% or Less Shareholder Occupied)**		1.00%	NA
4c(6)	**Metro Non-Profit Recreational Property**		1.25%	NA
4c(7)	**Certain Non-Comm Aircraft Hangars and Land: Leased Land**		1.50%	NA
4c(8)	**Certain Non-Comm Aircraft Hangars and Land: Private Land**		1.50%	NA
4c(9)	**Bed and Breakfast** (Up To 5 Units)		1.25%	NA
4c(10)	**Seasonal Restaurant on a Lake**		1.25%	NA
4c(11)	**Marina**	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
4d	**Qualifying Low-Income Rental Housing**		0.75%	NA
5(1)	**Unmined Iron Ore and Low-Grade Iron-Bearing Formations**	2.00%	2.00%	
5(2)	**All Other Property Not Otherwise Classified**		2.00%	NA

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