DEPARTMENT OF REVENUE

PROPERTY TAX
House Omnibus Tax Bill
Articles 5-6, 8-9, 16-20, 22

April 23, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

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

Department of Revenue
Analysis of H.F. 2125 (Marquart), 2nd engrossment

	Fund Impact				
	F.Y 2019	**F.Y. 2020**	**F.Y. 2021**	**F.Y. 2022**	**F.Y. 2023**
			(000's)		
Article 5: Property Taxes					
Historical Society Expenditures for Cities/Towns		$0	$0	$0	$0
Small Cities Assistance Aid Certification		$0	$0	$0	$0
Exclusion for Veterans with a Disability Data Sharing		$0	$0	$0	$0
References for Data Reporting Updated		$0	$0	$0	$0
Ag Historical Society Exemption		$0	(negligible)	(negligible)	(negligible)
Exemption for Pharmacy Owned by Indian Tribe		$0	(negligible)	(negligible)	(negligible)
Charitable Farmland Exemption		$0	(negligible)	(negligible)	(negligible)
Increase Threshold for eCRV Filing		$0	$0	$0	$0
Property Tax Refund for Manufactured Homes		$0	($220)	($220)	($220)
Agricultural Homesteads Owned by Trusts					
Property Tax Refund Interaction		$0	(negligible)	(negligible)	(negligible)
Ag Homestead Market Value Credit		$0	(negligible)	(negligible)	(negligible)
Homestead Percentage for Partial Homesteads					
Property Tax Refund Interaction		$0	unknown	unknown	unknown
Ag Homestead Market Value Credit		$0	unknown	unknown	unknown
Elderly Living Facility Deferral		$0	(negligible)	(negligible)	(negligible)
Classification of Land Used for Environmental Benefits					
Property Tax Refund Interaction		$0	(negligible)	(negligible)	(negligible)
Ag Homestead Market Value Credit		$0	(negligible)	(negligible)	(negligible)

Exclusion for Veterans with a Disability Modified				
Property Tax Refund Interactions				
Application Due Date Modified	$0	$600	negligible	negligible
Surviving Spouse 8-Year Limit Removed	$0	$30	$70	$110
Surviving Spouse One-Time Transfer Allowed	$0	$60	$80	$100
State General Property Tax Rate Freeze	$13,390	$42,140	$72,890	$102,900
Income Tax Interaction	$0	($690)	($1,600)	($2,420)
Tax Forfeited Land Sale Requirements Modified	$0	$0	$0	$0
Increase Threshold for Deed Tax	(negligible)	($5)	($5)	($10)
Senior Deferral Modified, Reconsideration Provided	$0	($60)	negligible	negligible
Ag Preserves Termination for Parks or Trails	$0	$0	$0	$0
Housing and Redevelopment Levy Authority Extended	$0	$0	$0	$0
Cloquet Area Fire and Ambulance Taxing District Modified				
Property Tax Refund Interaction	$0	$0	($10)	($20)
Income Tax Interaction	$0	$0	(negligible)	(negligible)
SFIA Trail Clarification	$0	$0	$0	$0
Report on State Assessed Property	$0	$0	$0	$0
Report on 4d Low Income Housing Property	$0	$0	$0	$0
Exclusion for Veterans with a Disability Special Refund Provided	negligible	$0	$0	$0
Article 6: Aids and Credits				
PERA Aid Sunset Extended	$0	($13,800)	($13,740	($13,690)
Property Tax Refund Interaction	$0	$330	$330	$330
Income Tax Interaction	$0	$150	$150	$150
School Building Bond Credit Increased	$0	($30,500)	($37,830)	($42,410)
Property Tax Refund Interaction	$0	($410)	($850)	($1,320)
Income Tax Interaction	$0	$280	$150	$0
Property Tax Refund – Homeowners	$0	($22,500)	($25,600)	($28,100)
Property Tax Refund – Renters	$0	($21,600)	($22,900)	($23,600)

Automated Certificates of Rent Paid System		$0	$0	$0	$0
Report on Rents Paid in Minnesota		$0	$0	$0	$0
Border City Allocation Modified		$0	($1,000)	($1,000)	($1,000)
Border City Enterprise Zone Clarification of Restrictions		$0	$0	$0	$0
LGA Sparsity Formula – Hibbing		$0	$0	$0	$0
LGA Minimum Aid Formula Modification		$0	$0	$0	$0
LGA Adjustment – Floodwood		$0	$0	$0	$0
LGA Adjustment – Hermantown		$0	$0	$0	$0
LGA Adjustment – West St. Paul		$0	$0	$0	$0
LGA Adjustment – Flensburg		$0	$0	$0	$0
LGA Adjustment – Lilydale		$0	$0	$0	$0
LGA Adjustment – Scanlon		$0	$0	$0	$0
LGA Adjustment – East Grand Forks		$0	$0	$0	$0
LGA Adjustment – Virginia		$0	$0	$0	$0
LGA Appropriation Increased		$0	($30,593)	($30,593)	($30,593)
Property Tax Refund Interaction		$0	$740	$740	$740
Income Tax Interaction		$0	$340	$340	$340
One-Time LGA Appropriation Increase		$0	($5,400)	$0	$0
CPA Appropriation Increased		$0	($30,593)	($30,593)	($30,593)
Property Tax Refund Interaction		$0	$740	$740	$740
Income Tax Interaction		$0	$340	$340	$340
CPA Adjustment – Mahnomen		$0	$0	$0	$0
LGA Forgiveness – Waubun	$0	$0	$0	$0	$0
Fire Aid Forgiveness – Austin	($129)	$0	$0	$0	$0
Melrose Fire Remediation Grants Modified	($644)	$0	$0	$0	$0

Mazeppa Fire Remediation Grants		($5)	$0	$0	$0
Article 8: Tax Increment Financing					
TIF - Bloomington		$0	$0	$0	$0
TIF - Edina		$0	$0	$0	$0
TIF - Champlin		$0	$0	$0	$0
TIF - Minneapolis		$0	$0	$0	$0
TIF - Roseville		$0	$0	$0	$0
TIF - Duluth		$0	$0	$0	$0
TIF - Burnsville		$0	$0	$0	$0
Article 9: Public Finance					
State Agricultural Society Bonding Authority		$0	$0	$0	$0
Miscellaneous Public Finance Changes		$0	$0	$0	$0
Metropolitan Council Bonding Authority		$0	$0	$0	$0
Property Tax Refund Interaction		$0	($50)	($520)	($820)
Income Tax Interaction		$0	($20)	($230)	($370)
Articles 16-20, 22: Department Policy and Technical Provisions					
Policy and Technical Provisions		$0	$0	$0	$0
General Fund Total	**($773)**	**$13,385**	**($109,931)**	**($88,101)**	**($67,656)**

Various Effective Dates

***Non-General Fund Impacts**

Taconite Environmental Protection Fund				
Modifications to Municipal Aid	$0	($232)	($252)	($299)
Douglas J. Johnson Economic Protection Fund				
Modifications to Municipal Aid	$0	($192)	($170)	($175)
Taconite Municipal Aid Account				

Modifications to Municipal Aid (from TEPF and DJJ)	$0	$424	$422	$474
Distributions to Municipalities	$0	($424)	($422)	($474)

Note: The income tax interactions are adjusted to reflect income tax changes in the bill.

REVENUE ANALYSIS DETAIL

Article 5: Property Tax

Historical Society Expenditures Authorized for Cities and Towns (Section 1)
The effective date is the day following final enactment.
Under current law, cities and towns may levy up to 0.02418 percent of their estimated market value (EMV) for their respective county historical societies. The bill would allow cities and towns to appropriate that money for not just their county historical societies, but also their own city/town historical societies. Historical societies must be affiliated with the Minnesota Historical Society.

- This provision would have no impact on the state general fund. It is assumed that any additional money levied as a result of the bill would be shifted away from other levies.

Small Cities Assistance Certification Clarified (Section 2)
The effective date is beginning with aids payable in 2019.
The bill requires the commissioner of transportation certify the aid amount for the Small Cities Assistance program by June 1.

- There is no impact to the state general fund from these changes.

Exclusion for Veterans with a Disability Data Sharing (Sections 3, 21)
The effective date is the day following final enactment.
The bill would allow the county veterans service officer and the assessor to exchange data needed for determining a person's eligibility for the market value exclusion.

- This provision would have no impact on the state general fund.

References for Data Reporting Updated (Sections 4-7, 12-16, 26, 28-34, 39-40, 54)
The effective date is the day following enactment.
The bill makes a number of technical and clarifying changes to update out-of-date references to abstracts for property tax data reporting.

- There is no impact to the state general fund from these changes.

Agricultural Historical Society Exemption Increased (Section 8)
The effective date is beginning with assessment year 2019.

Under current law, property owned by a 501(c)(3) agricultural historical society is exempt from property taxes if:

1. the property is primarily used for storing and exhibiting tools, equipment, and artifacts relating to local or regional agricultural history;
2. the property is not used for a revenue-producing activity for more than ten days in each calendar year;
3. the property is not used for residential purposes on either a temporary or permanent basis; and
4. the exemption (which includes land, buildings, and personal property) is limited to no more than 20 acres per owner per county.

The bill would increase the maximum acreage eligible for the exemption from 20 acres to 40 acres.

- It is estimated that approximately 10 parcels would receive a larger exemption due to the higher acreage limit.
- For taxes payable in 2020 and thereafter, the larger exemption would reduce the amount of taxable market value on these parcels, shifting property taxes away from the exempted property and onto all other property, including homesteads.
- The additional property tax burden on homesteads caused by the larger exemption would increase state-paid homeowner refunds by less than $5,000 beginning in fiscal year 2021.

Property Tax Exemption for Pharmacy Owned by Indian Tribe (Section 9)

The effective date is beginning with taxes payable in 2020.

The bill would exempt property that is located in a first class city with a population of more than 380,000, owned by a federally recognized Indian tribe, and used exclusively as a pharmacy. Property qualifying for the exemption would be limited to parcels and structures that do not exceed a total of 4,000 square feet. The exemption would expire with taxes payable in 2029.

- The Fond Du Lac Band's Mashkiki Waakaaigan Pharmacy in Minneapolis would be eligible for the property tax exemption.
- For taxes payable in 2020 and thereafter, a property tax exemption would reduce the amount of taxable market value, shifting property taxes away from the exempted pharmacy and onto all other property, including homesteads.
- The additional property tax burden on homesteads caused by the exemption would increase state-paid homeowner refunds by less than $5,000 beginning in fiscal year 2021.
- The exemption from the state property tax levy would have no impact on state revenues in payable year 2020 and thereafter because the tax rates would be adjusted to yield the amount of revenue required by statute. The tax reduction for the pharmacy would be shifted onto the other commercial and industrial properties subject to the state levy.

Property Tax Exemption for Charitable Farmland (Section 10)

The effective date is beginning with property taxes payable in 2020.

The bill would exempt from property taxes any property that is owned by a public hospital, church, or private cemetery and used in the production of agricultural products as defined in section 273.13, subdivision 23, provided that any proceeds from the sale of the agricultural products are used to support the mission of a public hospital, church, or private cemetery.

- It is assumed that approximately 10 parcels would receive the exemption.
- For taxes payable in 2020 and thereafter, the exemption would reduce the amount of taxable market value on these parcels, shifting property taxes away from the exempted property and onto all other property, including homesteads.
- The additional property tax burden on homesteads caused by the exemption would increase state-paid homeowner refunds by less than $5,000 beginning in FY 2021.

Threshold for eCRV Filing Increased (Section 11)
The effective date is for certificates of value filed after December 31, 2019.
Under current law, any real estate sold for more than $1,000 is required to file an electronic certificate of real estate value (eCRV) with the county auditor. The bill would increase the minimum sale price for filing an eCRV to $3,000.

- There is no impact to the state general fund from these changes.

Property Tax Refund for Manufactured Home Cooperatives (Sections 17, 37)
The effective date is beginning with claims based on taxes payable in 2020.
Under current law, residents living in a manufactured home park cooperative are provided homestead treatment if the cooperative is wholly owned by residents of the park and paying property taxes. The residents may claim a property tax refund for the property taxes paid on their manufactured home structure, but any property taxes attributable to the rent paid to lease their land in the park may not be included.

The bill would allow manufactured home park cooperative residents to include 17% of the rent paid for their site rental in the determination of property taxes payable for claiming a property tax refund.

- According to the Northcountry Cooperative Foundation there are eight resident-owned manufactured home park cooperatives in Minnesota. These cooperative parks include over 600 units located in the cities of Cannon Falls, Clarks Grove, Fairmont, Fridley, Lindstrom, Madelia, Moorhead, and Rochester.
- For many manufactured homes, the property taxes attributable to rent paid for land is many times greater than the property taxes due on the structure itself.
- Under the bill, allowing 17% of rent paid for the land site to be included as property taxes payable would increase the amount of property tax eligible for the state-paid refund and the number of taxpayers eligible for a refund.
- It is assumed that 150 residents would receive an average property tax refund increase of $600 beginning in fiscal year 2021. An additional 325 residents are projected to become eligible and receive an average refund of $400.

Agricultural Homestead Rules Modified for Properties Owned by Trusts (Sections 18-19)
The effective date is beginning with taxes payable in 2020.
Under current law, property cannot qualify for special agricultural homestead treatment unless all of the property is under the same ownership. Portions of an agricultural homestead can be disqualified for homestead treatment if some property is owned by an individual (or trust of which the individual

is a grantor) and a portion of the property is owned by a trust of which a deceased spouse was the grantor and the individual has limited interest.

The bill allows property to qualify as a special agricultural homestead when all or a portion of the property is owned by a trust for which a deceased or surviving spouse was the grantor.

- It is assumed that a small number of properties would be directly impacted by the bill.
- The bill would cause a shift in property taxes away from properties newly qualifying for special agricultural homestead and onto all other properties, including other homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by a negligible amount beginning in fiscal year 2021.
- The bill would also increase the number of properties eligible for the agricultural homestead market value credit, increasing the credit by a negligible amount beginning in fiscal year 2021.

Homestead Percentage Modified for Partial Homesteads (Sections 20, 25, 27)
The effective date is beginning with taxes payable in 2020.
Under current law, the homestead share of a property for a partial homestead parcel is based on the number of owners. Each owner receives equitable distribution for homestead, homestead market value exclusion, and agricultural homestead market value credit purposes.

The bill would change how homestead share is determined for partial homesteads. Under the bill, properties that are receiving a partial homestead due to one of the owners not meeting the requirements for homestead would receive a percentage of homestead based on their ownership interest in the property rather than a percentage based on the number of owners. If ownership percentages cannot be determined, the ownership percentages would be equal shares for each owner.

- According to a January 2018 survey by the Minnesota Association of Assessing Officers (MAAO), approximately 10% of fractional homesteads have ownership interests that are not equal. (This survey question was answered by 24 counties.)
- The actual ownership interest for partial homestead properties statewide is unknown. Therefore, the share of homestead property that would become non-homestead, and vice versa, under the bill is unknown.
    - Properties receiving a larger share of homestead under the bill would have a lower classification rate.
    - Properties receiving a smaller share of homestead under the bill would have a higher classification rate.
- Property taxes would shift away from properties receiving a larger share of homestead under the bill and onto all other properties, including other homesteads. Property taxes would also shift onto properties receiving a smaller share of homestead under the bill and away from all other properties, including other homesteads.
- The shift in taxes onto/away from homesteads would cause property tax refunds paid by the state to change by an unknown amount beginning in FY 2021.
- The bill would change the amount of market value eligible for the agricultural homestead market value credit, changing the credit by an unknown amount beginning in FY 2021.

Property Tax Deferral Allowed for Elderly Living Facility (Section 22)
The effective date is beginning with property taxes payable in 2020.
The bill would allow an elderly living facility to defer its property taxes if:
- the facility is located in a first class city with a population less than 110,000;
- the facility is owned and operated by a 501(c)(3) nonprofit organization;
- construction of the facility was completed between January 1, 1963 and January 1, 1964;
- the facility has a chapter 144D housing with services license, and a chapter 144A comprehensive home care license;
- residents are at least 62 years of age or disabled;
- and at least 30 percent of the units are occupied by persons whose annual income does not exceed 50 percent of the median family income for the area.

The qualifying facility would be treated as exempt property. However, the value of the property would be assessed every year and property taxes would be calculated and recorded. If the benefiting facility is sold, transferred, or no longer qualifies for the deferral, then the calculated taxes for the current payable year and the four previous years would become due. To receive exempt treatment and a property tax deferral, an application must be filed by December 1 of the assessment year.

- Saint Ann's Seniors' Residence in the city of Duluth would be eligible for the property tax deferral and would be treated as exempt property.
- For taxes payable in 2020 and thereafter, a property tax exemption would reduce the amount of taxable market value, shifting property taxes away from the exempted elderly living facility and onto all other property, including homesteads.
- The additional property tax burden on homesteads caused by the exemption would increase state-paid homeowner refunds by less than $5,000 beginning in fiscal year 2021.

Land Used for Environmental Benefits Classification Modified (Section 23)
The effective date is beginning with assessment year 2019.
Under current law, land that is used for agricultural purposes, as defined in statute, is classified as 2a agricultural land.

The bill expands the definition of agricultural purposes to include land used for environmental benefits, such as buffer strips, retention ponds, or old growth forest restoration. In order to qualify as an agricultural purpose, the land area cannot exceed three acres. Under the bill, this land would be classified as 2a agricultural land.

- Under the bill, land used for environmental purposes would qualify as 2a homestead or non-homestead agricultural land. Depending on the land's current classification, land qualifying as 2a homestead agricultural land under the bill may receive a lower class rate than it has under current law.
- It is assumed that a small number of properties would receive a reduced class rate under the bill.
- The bill would cause a shift in property taxes away from properties newly qualifying as agricultural and onto all other properties, including homesteads.

- The shift in taxes onto homesteads would cause an increase in state-paid property tax refunds by less than $5,000 beginning in fiscal year 2021.
- The bill would also increase the market value eligible for the agricultural homestead market value credit, increasing the credit by a negligible amount beginning in fiscal year 2021.

Exclusion for Veterans with a Disability Modified (Sections 24)
The effective date is beginning with assessments in 2019, for taxes payable in 2020.

1. Application Due Date Modified
Under current law, the homestead of a veteran with a disability becomes eligible for a valuation exclusion in the current assessment year if the application is received by July 1. For applications received after July 1, the exclusion becomes effective for the following assessment year.

The bill would change the application due date to December 15. All approved applications filed by December 15 would receive the exclusion for the current assessment year.

2. Surviving Spouse 8-Year Limit Removed
Under current law, the surviving spouse of a deceased veteran who had a 100% total and permanent disability is eligible to continue receiving the exclusion for eight additional years, or until the spouse remarries or ceases to own the property, whichever comes first.

The bill would allow surviving spouses to continue receiving the benefit indefinitely, as long as they have not remarried and continue to own and occupy the homestead.

3. Surviving Spouse One-Time Transfer Allowed
The bill would also allow a surviving spouse a once-per-lifetime transfer of the exclusion to a different property, provided that on the date of sale of the original property, the estimated market value of the new property is less than or equal to the estimated market value of the property that originally received the exclusion.

1. Application Due Date Modified

- The bill would allow veterans who move after July 1 to reapply for the exclusion in the same assessment year as the move occurred.
- In addition, the later application date would allow newly eligible veterans to apply after July 1 of the current year and receive the exclusion for the current assessment year, rather than the following assessment year (as under current law).
- Changing the application deadline for the exclusion creates a shift in net state savings due to property tax refund interactions.
    - The main impact occurs in the initial fiscal year. A portion of the state-paid property tax refund that under current law is saved in one fiscal year would now be shifted into the previous fiscal year.
    - The impact of the shift in subsequent years is the difference between forecasted refund savings under current law and the effect of shifting those amounts into the previous fiscal year.

    - The first year the state general fund would be impacted under the bill would be for applications filed in 2019 for taxes payable in 2020 (state-paid property tax refunds in fiscal year 2021).
- It is assumed that approximately 1,000 applications will be received in calendar year 2019 between July 2 and December 15.
- The bill would shift an estimated $2 million in property tax (payable in 2020) onto all other property types, including other homesteads. This would increase state-paid homeowner refunds. The overall savings to the state is net of these costs.
- Under the bill, an estimated $600,000 of refund savings currently projected for fiscal year 2022 would shift into fiscal year 2021.
- For subsequent years (beginning in fiscal year 2022) the net impact on the state general fund is estimated to be less than $5,000.

2. Surviving Spouse 8-Year Limit Removed
- For taxes payable in 2020, the bill impacts homesteads where the veteran died in 2011.
- Under current law, if the veteran died in 2011, then the final year of the exclusion for a surviving spouse is taxes payable year 2019.
- For taxes payable in 2011, approximately 9,000 veteran homesteads received a valuation exclusion, and approximately 6,000 of these homesteads were owned by a veteran with a 100% disability rating.
- It is estimated that 3% of veteran homeowners die each year, and that 25% of these homesteads have no surviving spouse. In the remaining 75% of these homesteads, the spouse would be eligible to continue receiving the valuation exclusion. A 90% participation rate for surviving spouses is assumed.
- The bill would shift an estimated $150,000 in property tax (payable in 2020) onto all other property types, including other homesteads. This would increase homeowner property tax refunds. The overall savings to the state is net of these costs.
- The extension of eligibility for the exclusion results in a net savings to the state due to a reduction in homeowner refunds paid to veteran homesteads. The net savings to the state general fund would be an estimated $30,000 in FY 2021.

3. Surviving Spouse One-Time Transfer Allowed
- It is estimated that 5% of surviving spouse homeowners move each year.
- For surviving spouses that move prior to calendar year 2020, a participation rate of 25% is assumed. For surviving spouses moving in calendar year 2020 or later, a participation rate of 50% is assumed.
- It is estimated that approximately 100 surviving spouses would benefit from the bill in taxes payable year 2020.
- The bill would shift an estimated $260,000 in property tax (payable in 2020) onto all other properties, including other homesteads. This would increase state-paid homeowner refunds. The overall savings to the state is net of these costs.
- The transfer of the exclusion would result in a net savings to the state due to a reduction in homeowner refunds paid to veteran homesteads. The net savings to the state general fund would be an estimated $60,000 in FY 2021.

State General Property Tax Commercial-Industrial Rate Freeze (Section 34)

The effective date is beginning with taxes payable in 2020.
Under current law, the state general levy for commercial-industrial property is $784,590,000 and the state general levy for seasonal-recreational property is $44,190,000. These levy amounts remain the same each year. The tax rates for the state general levies are calculated each year by dividing the levy amount by the state general tax base for each levy.

The bill would freeze the tax rate for the commercial-industrial state general levy at the taxes payable 2019 rate of 42.416 percent. The levy each year would be determined by multiplying the tax rate by the commercial-industrial state general tax base. The state general levy for seasonal-recreational property would not change.

- By freezing the tax rate for the commercial-industrial levy, the bill would increase the state general levy by $24.34 million for taxes payable in 2020, $56.70 million for taxes payable in 2021, $86.14 million for taxes payable in 2022, and $116.62 million for taxes payable in 2023. These numbers have been converted to fiscal years for the purpose of this estimate.
- Higher commercial taxes would increase deductions on corporate and individual income tax returns, decreasing state tax collections beginning in fiscal year 2021.

Tax-Forfeited Land Sale Requirements Modified (Section 35)
The effective date is for conveyances issued after December 31, 2019.
Under current law, the purchase price of tax-forfeited property must be paid in full before the state will issue a deed for the property.

The bill would require a deed to be issued to the county auditor for mortgage-financed sales of tax-forfeited property before closing of the sale has occurred, with the following requirements:

1. For a deed to be issued under these circumstances, the county auditor would approve the sale based upon a written commitment from a licensed closing agent, title insurer, or title insurance agent that the funding of the purchase is held in an escrow account and available for disbursement upon receipt of the deed.
2. The county auditor would hold the deed until it is requested by a licensed closing agent, title insurer, or title insurance agent to settle and close on the purchase of the property. If not requested within 30 days, the county auditor would return the deed to the state for cancellation.
3. If the deed is delivered to a licensed closing agent, title insurer, or title insurance agent, but the closing does not occur within 10 days, the deed would be returned to the county auditor, who, upon receipt, would return the deed to the state for cancellation.
4. A deed issued under this subdivision would not be effective until it is recorded.

- The bill may have an impact on the sales of tax-forfeited property.
- It is assumed that there would be no impact on the state general fund.

Increase Threshold for Deed Tax (Section 36)
The effective date is for deeds recorded after December 31, 2019.
Except for the exemptions listed in Minnesota Statutes, section 287.22, a deed tax is imposed when real property is transferred or conveyed from one party to another. In some cases, a minimum deed

tax of $1.65 is imposed. For those situations where the minimum tax does not apply, the tax rate is 0.0033 of the net consideration. The minimum tax applies in the following situations:

1. The transfer is made as a result of a consolidation or merger.
2. The transfer is a designated transfer.
3. There is no consideration associated with the transfer.
4. The net consideration associated with the transfer is less than or equal to $500. (Note that $1.65 = 0.0033 x $500.)

The bill would change the fourth provision on the list and the minimum tax of $1.65 would apply when the net consideration associated with the transfer is less than or equal to $3,000.

- Information provided to the Department of Revenue for 2015, 2016, and 2017 indicated that the following transfers occurred where the purchase amount was between $500 and $3,000:
    - 2015 – 899 sales for a total of $1,780,000
    - 2016 – 655 sales for a total of $1,287,000
    - 2017 – 847 sales for a total of $1,656,000
    - 3-yr average – 800 sales for an average of $1,574,333.
- Average actual deed tax collections for FY 2015, FY 2016, and FY 2017 were $109,663,333.
- A ratio of $1,574,333 / $109,663,333 = 1.44% was calculated.
- The above ratio was applied to the estimated deed tax collection for fiscal year 2020 through fiscal year 2023 to arrive at the total estimated sales where the transferred value is between $500 and $3,000.
- The tax was calculated based on the rate of 0.0033.
- A total minimum tax based on a tax of $1.65 per individual sale was subtracted.
- The state portion of 97% was calculated.
- The fiscal year 2020 total was reduced by 50% because the proposed effective date is half-way through fiscal year 2020.

Senior Citizens' Property Tax Deferral Modified, Reconsideration Provided (Section 38)
The effective date is the day following enactment.
Under current law, applications received prior to July 1 of a calendar year are eligible for a property tax deferral beginning in the following taxes payable year. Applications received on or after July 1 are required to wait an additional taxes payable year before receiving their first property tax deferral (e.g. applications received on or after July 1, 2019, would first be eligible for a property tax deferral beginning with taxes payable in 2021).

The bill would modify the application deadline for the senior citizen property tax deferral program by changing the application deadline from July 1 to November 1. In addition, taxpayers would be able to request an early notification of approval or denial. If an applicant received a denial, the department would need to provide the reason and the applicant could reapply before the normal deadline.

The bill would allow applicants whose applications are rejected to resubmit a corrected application within 90 days of the application deadline.

- Under the bill, applicants filing after July 1 but before November 1 would become eligible for a property tax deferral one year earlier than under current law.
- Changing the application deadline for the senior citizen property tax deferral program creates a shift in state expenditures.
  - The main impact occurs in the initial fiscal year. A portion of the deferral payments that under current law would be paid in one fiscal year are now shifted into the previous fiscal year.
  - The impact of the shift in subsequent years is the difference between forecasted payments under current law and the effect of shifting those amounts to the previous fiscal year.
- The first year impacted under the bill would be applications filed in 2019 for taxes payable in 2020 (state deferral payment in fiscal year 2021).
- Under the bill, an estimated $60,000 in deferral payments projected to be paid by the state in fiscal year 2022 would now be paid in fiscal year 2021.
- For subsequent years (beginning in fiscal year 2022) the net impact on the state general fund is estimated to be less than $5,000.

Agricultural Preserves Termination Allowed for Parks or Trails (Sections 41-43)
The effective date is the day following final enactment.
Under current law, agricultural preserve status is allowed to expire no earlier than eight years after notice has been given by either the landowner or the local authority for planning and zoning.

The bill would allow agricultural preserve status to expire immediately if a state agency or other governmental unit purchases the property or obtains an easement over the property for the purpose of creating or expanding a public trail or park. However, agricultural preserve status would expire only on the portion of the property that is acquired for trail or park purposes. The bill would apply only to agricultural preserve land in the seven-county metropolitan area.

- If a state agency or other governmental unit purchases the property, the property would become exempt and removing the land's status as an agricultural preserve would have no impact on property taxes.
- If a state agency or other governmental unit obtains an easement over a portion of the property, it is assumed that the property would receive the same valuation assessment as under current law, and that the property would continue to receive the same amount of agricultural preserve credit as under current law.
- It is assumed that there would be no impact on the state general fund.

Levy Authority Extended for Northwest Minnesota Multicounty Housing and Redevelopment Authority (Section 44)
The effective date is beginning with taxes payable in 2020.
Under current law, the Northwest Minnesota Multicounty Housing and Redevelopment Authority (HRA) is a special taxing district operating in Kittson, Polk, Marshall, Pennington, Red Lake and Roseau counties. Levy amounts are limited to 0.0185 percent of the taxable market value within the district. The HRA authority to levy without approval by the governing bodies of the above counties and their cities is 25 percent of the total permitted amount. The 25 percent levy authority provision expires after taxes payable 2019.

The bill would authorize the Northwest Minnesota Multicounty House and Redevelopment Authority to levy 25 percent of the total permitted amount without the approval of counties and cities through taxes payable 2025.

- There would be no assumed state revenue impact. Increasing the special taxing district levy authority causes an equal reduction in its governing bodies levy authority, so the net change in levy authority is zero.

Cloquet Area Fire and Ambulance Taxing District Modified (Sections 45-49)
The effective date is after local compliance.
Under current law, is unclear if the Cloquet Area Fire and Ambulance Taxing District has authority to incur debt. The bill would allow the Cloquet Area Fire and Ambulance Special Taxing District to issue certificates of indebtedness or capital notes. The district would be allowed to levy debt in the same manner as municipalities.

- According to a local official with the taxing district, under the bill, bonds would be issued for the construction of a new fire station in taxes payable 2021. The bonds would increase the levy for taxpayers by $155,000 in taxes payable 2021, $310,000 in taxes payable 2022, and $466,000 in taxes payable 2023 and thereafter.
- Higher levies will result in higher homeowner property tax refunds, increasing costs to the state general fund beginning FY 2022.
- Higher levies will result in higher income tax deductions, decreasing revenues to the state general fund beginning in FY 2022.

Clarification of SFIA for Paved Trails (Section 50)
The retroactive effective date is for certifications made in 2018 and thereafter.
Under current law, forest land enrolled in the Sustainable Forest Incentive Act (SFIA) program is generally prohibited from making improvements to the land, including residential structures and roads. Current law allows land to be improved with a paved trail under easement, lease, or terminable license to the state of Minnesota or a political subdivision beginning with applications made in 2018.

The bill clarifies that eligibility for a paved trail on SFIA land is effective not only for applications made in 2018 and thereafter, but also for certifications made in 2018 and thereafter.

- The proposed clarification of SFIA eligibility would have no impact on the state general fund.

State Assessed Property Valuation Report Required (Section 51)
The effective date is the day following final enactment.
The bill would require the commissioner of revenue to produce a report on the valuation of state-assessed personal property owned by: express, stage and transportation companies; pipeline companies, gas and water companies; electric light and power companies; and companies supplying

electric power. The report must describe the administrative appeals and tax court petitions filed since 2012, and include the following details:
- (i) the basis for each appeal and petition;
- (ii) the current status of each appeal or petition, and the type of resolution, if any;
- (iii) the final valuation and extent of any market value increase or decrease;
- (iv) for appeals and petitions awaiting a final disposition, the commissioner's valuation compared to the taxpayer's opinion of market value;
- (v) for appeals and petitions that resulted in a lower final valuation, the amount of refund paid by local taxing jurisdictions;
- (vi) future refund amounts if outstanding appeals and petitions result in a final valuation equal to the taxpayer's opinion of market value.

The report must also include descriptions of the following: the methodology and process used by the commissioner of revenue to determine valuations; the time frame for issuing valuation orders; and the process used to increase or decrease valuations as the result of an administrative appeal.

- There would be no impact on the state general fund.

Class 4d Affordable Housing Programs Report Required (Section 52)
The effective date is the day following enactment.
The bill would require the commissioner of revenue, in consultation with the Minnesota Housing Finance Agency and the Department of Human Services, to produce a report on class 4d low income housing property and local 4d affordable housing programs. The report must include the number units for each property, property taxes paid, property tax reductions due to 4d classification, average household income for residents, and the number total units in the last ten years. The report must also include a profile of income limits and area median incomes that determine eligibility for assisted housing programs.

- There would be no impact to the state general fund.

Exclusion for Veterans with a Disability Special Refund Provided (Section 53)
The effective date is for refund applications received in 2019, for refunds of tax paid in 2017 and 2018.
Under current law, the homestead valuation exclusion for veterans with a disability must be granted before taxes are paid. No refunds of taxes already paid are allowed.

The bill would allow a qualifying veteran who received a 70 percent or greater disability rating in 2016 or 2017 to apply for a retroactive exclusion for assessment years 2016 and/or 2017 and receive a refund of taxes paid in 2017 and/or 2018. Refund amounts would be calculated as follows:
- The county auditor would recalculate the taxes based on the applicable exclusion ($150,000 or $300,000).
- The difference between the original tax amount and the recalculated tax amount would be refunded to the taxpayer.

To obtain the special refund, a veteran would need to submit an application by December 15, 2019.

- It is assumed that fewer than 10 taxpayers would apply for the special refund.

- There would be no shifting of taxes since property taxes have already been paid for 2017 and 2018.
- It is assumed that the bill would have no effect on levies set by local taxing jurisdictions.
- However, after receiving this special refund, taxpayers that also received a homeowner's property tax refund in 2017 and/or 2018 would need to file an amended property tax refund return. The amount of the homeowner's refund would be recalculated and reduced. The savings to the state general fund is assumed to be less than $5,000 in FY 2020.

Article 6: Aids and Credits

PERA Aid Sunset Extended (Section 1)

The effective date is the day following final enactment.
Under current law, state aid to local governments to help pay for employer contributions to the Public Employees Retirement Association (PERA) terminates on June 30, 2020.

The bill would require that PERA Aid payments continue until the earlier of: (1) the last day of the fiscal year immediately following the fiscal year in which the actuarial value of assets of the PERA general employees retirement plan first equals or exceeds the actuarial accrued liabilities of the plan; or (2) June 30, 2048.

- Aid amounts paid to jurisdictions cannot increase. However, if a PERA unit privatizes or otherwise disbands, aid payments cease.
- Based on aid payments in previous years, a slight annual decrease in total aid is assumed.
- It is further assumed that local governments would reduce their levies by a portion of the PERA Aid payments. Under this assumption:
    - Property taxes would be reduced in jurisdictions receiving the additional aid.
    - Lower property taxes paid by homesteads would decrease state-paid property tax refunds beginning in FY 2021.
    - Lower property taxes would also reduce deductions on corporate and individual income tax returns, increasing state income tax collections beginning in FY 2021.
- The net cost to the state general fund would be an estimated $13.3 million in FY 2021.

School Building Bond Credit Amount Increased (Section 2)

The effective date is beginning with taxes payable in 2020.
Under current law, all class 2a, 2b, and 2c property, other than the house, garage, and surrounding one acre of land of an agricultural homestead, is eligible for the school building bond credit. The credit is equal to 40 percent of the property's eligible net tax capacity multiplied by the school debt tax rate.

The bill would increase the credit amount to 70 percent of the property's eligible net tax capacity multiplied by the school debt tax rate.

- According to the Department of Education, it is estimated that the portion of the school district levy that is levied for debt service under current law is $998 million statewide for taxes payable 2019. Under current law, it is assumed that debt service levies grow statewide by 4% in taxes payable 2020, 3% in taxes payable 2021, and 3% in taxes payable 2022. Due to behavioral changes for levying, if the credit increase is enacted, levies eligible for the credit are assumed to increase beginning in taxes payable 2020 compared to the current law forecast.

- Under current law, properties eligible for the school building bond credit pay approximately 10% of school district debt service levies. The credit is estimated to be $39.6 million for taxes payable 2019.
- Under the bill, the statewide cost of the school building bond credit is estimated to increase by $34 million in taxes payable 2020, $38 million in taxes payable 2021, and $43 million in taxes payable 2022. The fiscal year credit estimates reflect the 90/10 school levy recognition shift.
- Lower property taxes for property owners receiving the credit will reduce deductions on income tax returns, increasing state tax collections by $280,000 million in fiscal year 2021.
- Behavioral changes for levying affects the amount of property taxes paid by all property types, including homesteads. Higher debt service levies increase property tax burdens, increasing costs to the state general fund for property tax refunds and income tax deductions beginning in fiscal year 2021. The overall income tax savings to the state is net of these costs.

Property Tax Refund for Homeowners Modified (Section 3)
The effective date is beginning with claims based on taxes payable in 2020.
Under current law, homeowners with a household income of less than $115,440 are eligible for a property tax refund if their property taxes exceed between one percent and 2.5 percent of their income.

The bill would modify the property tax refund table to expand the eligible household income range to a maximum limit of $155,440. Homeowners with a household income between $115,440 and $155,440 would be eligible for a property tax refund if their homestead property tax exceeds a certain percentage of their income, ranging from 2.6% to 3.5%. The maximum refund for homeowners with a household income between $115,440 and $155,440 would range from $100 to $500.

The bill would also increase maximum refunds for currently eligible homeowners between $180 and $200.

- The estimates are based on the February 2019 forecast.
- By expanding the homeowner refund table and increasing the maximum refund amount, state-paid property tax refunds to homeowners would increase by $22.5 million beginning in FY 2021.
- By increasing the maximum refunds, about 69,000 current filers would receive an increase totaling approximately $11.0 million in the first year, with an average refund increase of $160.
- Extending the household income limit would result in an estimated 41,500 additional homeowners becoming eligible and filing for a refund beginning in FY 2021. The refund amounts for newly eligible homeowners would total approximately $11.5 million in the first year, with an average refund of $277.

Property Tax Refund for Renters Modified (Section 4)
The effective date is beginning with claims based on rent paid in 2019.
The bill would reduce taxpayer copay percentages for renter income ranges between 2.5 and 5 percentage points. The bill would also modify the renter property tax refund table to expand the eligible household income range up to $75,000 beginning with tax year 2019 (fiscal year 2021). Under current law, renters with a household income of less than $62,560 are eligible for a property tax refund.

- The estimates are based on the February 2019 forecast.
- Reducing copay percentages and expanding the renter refund table would increase refunds to renters, increasing the cost of state-paid property tax refunds beginning in FY 2021.
- For renter claimants, about 323,000 current filers would receive an increase totaling approximately $11.6 million in the first year, with an average refund increase of about $36.
- Increasing the household income range to $75,000 would result in an estimated 33,000 additional renters becoming eligible and filing for a refund beginning in FY 2021. The refund amounts for newly eligible renters would total approximately $10.0 million in the first year, with an average refund of about $303.

Automated Certificates of Rent Paid System Created; Required Report (Sections 5-6)
The effective date is beginning for refunds based on rent paid in 2021.
The bill would require the commissioner of revenue to develop and implement an automated electronic system for generating certificates of rent paid (CRP). Beginning for rents paid in 2021, all rental property owners and managing agents would be required to use the automated system to provide certificates of rent paid to renters. The bill would also require the commissioner of revenue to prepare an annual report on rents paid in Minnesota based on the CRP data from the automated system.

- There would be no revenue impact to the state general fund.

Taconite Municipal Aid Guarantee and Indexing for Inflation (Sections 7-8)
The effective date is beginning with distributions in 2020.
Under current law, the guarantee for the Taconite Municipal Aid Account is a variable percentage or 100% of the 1983 distributions (whichever is lower) and the account distributions are not indexed for inflation.

The bill would modify taconite production tax distributions by removing the variable percentage and making the guarantee for the Taconite Municipal Aid Account equal to 100% of the 1983 distributions. The bill would also annually index the cents per ton distribution rate for inflation.

- The changes to the local distribution of taconite production taxes would have no impact on the state general fund.
- The increased distribution to cities and townships would equal approximately $424,000 for distribution year 2020.

- The increased distribution to cities and townships would reduce distributions to the Taconite Environmental Protection Fund and the Douglas J. Johnson Economic Fund.

Border City Allocation Modified (Section 9)
The effective date is July 1, 2020.
The bill allocates an additional $1 million annually for income, sales, or property tax reductions to border city enterprise zones for businesses in cities on the western border of the state. The allocations will be apportioned among the cities of Dilworth, East Grand Forks, Moorhead, Ortonville, and Breckenridge by population.

- The annual appropriation of $1 million will increase state general fund costs beginning in FY 2021.
- A small fraction of the enterprise zone payments are for property tax relief, and will have no impact on homeowner property taxes.

Border City Enterprise Zone Clarification of Restrictions (Section 10)
The effective date is the day following final enactment.
The bill clarifies language restricting what types of property can qualify for border city enterprise zone tax reductions.

- There would be no impact to the state general fund.

Local Government Aid Adjustment – Hibbing (Section 11)
The effective date is beginning for aids payable in 2020.
Under current law, the local government aid (LGA) formula includes two sparsity adjustments:

1. a sparsity adjustment of 100 for cities with a population of 10,000 or more and an average population density of 150 per square mile, which impacts only the city of Hibbing, and
2. a sparsity adjustment of 200 for cities with a population of less than 10,000 and an average population density of 30 per square mile, which impacts 13 smaller cities.

The bill would change the sparsity adjustment from 100 to 200 for a qualifying city with a population of 10,000 or more.

- Under the bill, the city of Hibbing would be the only qualifying city to receive an increase in its LGA formula sparsity adjustment.
- There would be no state cost associated with the change in the formula distribution because total aid is set to a fixed appropriation level. The formula change would shift an estimated $12,000 in aid to the city of Hibbing and away from other cities receiving local government aid.

Local Government Aid Minimum Aid Formula Modification (Section 12)
The effective date is beginning for aids payable in 2020.

The bill would modify the minimum aid formula for local government aid (LGA) to exclude any expired aid adjustments.

- There would be no state general fund cost associated with the minimum aid change in LGA because total aid is set to a fixed appropriation level.

Local Government Aid Adjustment – Floodwood (Section 13)
The effective date is beginning for aids payable in 2020.
The bill would increase local government aid (LGA) to the city of Floodwood by $20,000 annually for aids payable years 2020 through 2024.

- There would be no state general fund cost associated with the annual change in LGA because total aid is set to a fixed appropriation level. The aid adjustment increase would shift aid to the city of Floodwood and away from other cities receiving local government aid.

Local Government Aid Adjustment – Hermantown (Section 13)
The effective date is beginning for aids payable in 2020.
The bill would increase local government aid (LGA) to the city of Hermantown by $200,000 annually for aids payable years 2020 through 2024.

- There would be no state general fund cost associated with the annual change in LGA because total aid is set to a fixed appropriation level. The aid adjustment increase would shift aid to the city of Hermantown and away from other cities receiving local government aid.

Local Government Aid Adjustment – West St. Paul (Section 13)
The effective date is beginning for aids payable in 2020.
The bill would increase local government aid (LGA) to the city of West St. Paul by $920,000 annually for aids payable years 2020 through 2024.

- There would be no state general fund cost associated with the annual change in LGA because total aid is set to a fixed appropriation level. The aid adjustment increase would shift aid to the city of West St. Paul and away from other cities receiving local government aid.

Local Government Aid Adjustment – Flensburg (Section 13)
The effective date for aids payable in 2020.
The bill would increase local government aid (LGA) to the city of Flensburg by $38,400 for aids payable year 2020.

- There would be no state general fund cost associated with the annual change in LGA because total aid is set to a fixed appropriation level. The aid adjustment increase would shift aid to the city of Flensburg and away from other cities receiving local government aid.

Local Government Aid Adjustment – Lilydale (Section 13)
The effective date for aids payable in 2020.
The bill would increase local government aid (LGA) to the city of Lilydale by $275,000 for aids payable year 2020.

- There would be no state general fund cost associated with the annual change in LGA because total aid is set to a fixed appropriation level. The aid adjustment increase would shift aid to the city of Lilydale and away from other cities receiving local government aid.

Local Government Aid Adjustment – Scanlon (Section 13)
The effective date is beginning for aids payable in 2020.
The bill would increase local government aid (LGA) to the city of Scanlon by $40,000 annually for aids payable years 2020 through 2029.

- There would be no state general fund cost associated with the annual change in LGA because total aid is set to a fixed appropriation level. The aid adjustment increase would shift aid to the city of Scanlon and away from other cities receiving local government aid.

Local Government Aid Adjustment – East Grand Forks (Section 13)
The effective date is beginning for aids payable in 2020.
The bill would increase local government aid (LGA) to the city of East Grand Forks by $300,000 annually for aids payable years 2020 through 2024.

- There would be no state general fund cost associated with the annual change in LGA because total aid is set to a fixed appropriation level. The aid adjustment increase would shift aid to the city of East Grand Forks and away from other cities receiving local government aid.

Local Government Aid Adjustment – Virginia (Section 13)
The effective date is beginning for aids payable in 2020.
The bill would increase local government aid (LGA) to the city of Virginia by $5.4 million for aids payable year 2020.

- There would be no state general fund cost associated with the annual change in LGA because total aid is set to a fixed appropriation level. The aid adjustment increase would shift aid to the city of Virginia and away from other cities receiving local government aid.

Local Government Aid Appropriation Increased (Section 14)
The effective date is beginning for aids payable in 2020.
Under current law, the LGA appropriation is $534,398,012 for aids payable in 2019 and thereafter.

The bill would increase the LGA appropriation to $564,990,952 for aids payable in 2020 and thereafter.

- Increasing the appropriation for LGA to cities would increase costs to the state general fund by $30.6 million in CY 2020 and thereafter.
  - It is assumed that the permanent increase in aid to cities would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2021, resulting in a savings to the state general fund.

One-Time Local Government Aid Appropriation Increased (Section 14)
The effective date is for aids payable in 2020.
The bill would provide an additional one-time increase in the LGA appropriation by $5,400,000 for aids payable in 2020 only.

- Increasing the appropriation for LGA to cities would increase costs to the state general fund by $5.4 million in CY 2020 only.

County Program Aid Appropriation Increased (Section 15)
The effective date is beginning with aids payable 2020.
The bill would increase the appropriation for County Program Aid (CPA). The new appropriation would be similar to the 2002 amount.

The CPA appropriation would increase from $234,668,444 to $265,261,384 starting in FY2021 thru FY2025. For FY2026 and thereafter the appropriation would be $262,261,384. The appropriation increase is split evenly between need aid and tax base equalization aid.

- Increasing the appropriation for CPA to counties would increase costs to the state general fund by $30.6 million in calendar year 2020 and thereafter.
  - It is assumed that the permanent increase in aid to counties would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
  - The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in fiscal year 2021, resulting in a savings to the state general fund.

County Program Aid Adjustment – Mahnomen Count (Section 15)
The effective date is beginning with aids payable 2020.
The bill would allocate $750,000 from the need aid formula to Mahnomen County in 2020 aids payable.

- The allocation to Mahnomen County would have no cost to the state general fund, but would result in lower aids amounts for the other 86 counties.

LGA Forgiveness – Waubun (Section 16)
The effective date is the day following final enactment
The bill would allow the city of Waubun to receive payment for the portion of its 2014 LGA and 2014 Small Cities Assistance payments withheld for failing to meet financial reporting requirements with the state auditor. The city must file its financial reports for 2017 before May 31, 2019. Up to $56,822 of the current LGA appropriation and $3,771 of the Small Cities Assistance appropriation are made available for the payments to be made before the end of FY 2019 by June 30, 2019.

- Under the bill there would be no additional cost to the state general fund in FY 2019 because the money for payments is already appropriated for LGA and Small Cities Assistance. Any unpaid LGA and Small Cities Assistance payments would not cancel to the state general fund until after June 30, 2019.

Fire Aid Forgiveness – Austin (Section 17)
The effective date is the day following final enactment
Under current law, a city that has a volunteer firefighter relief association must distribute any state aid related to fire to the volunteer relief association. Prior law allowed cities with both career and volunteer firefighters to split state aids, however this law was repealed in 2013. The State Auditor determined the city of Austin was still using the repealed law and as a result their 2016 fire and supplemental aids were forfeited.

The bill would reimburse the city of Austin with the 2016 fire aid and supplemental aid amounts totaling $129,093.40.

- Under current law, unpaid fire aid and supplemental state aid payments cancel to the state general fund.
- The bill would provide for payment of the withheld amount at a cost to the state general fund.
- The city of Austin in Mower County would receive a payment of $129,093.40 in FY2019.

Melrose Fire Remediation Grants Extension (Section 18)
The effective date is the day following final enactment.
The 2017 tax bill appropriated $1,392,258 from the state general fund to the city of Melrose and Stearns County in response to a 2016 fire. The appropriation for grants was available until June 30, 2018, at which point an unspent amount of $643,729 canceled back to the general fund.

The bill would re-appropriate $643,729 from the general fund for grants to be used to remediate the effects of the fire. The appropriation would be available until June 30, 2022.

- The appropriation will cost the state general fund $643,729 in FY2019.

Mazeppa Fire Remediation Grants (Section 19)
The effective date is July 1, 2019.
The bill provides an appropriation of $5,000 in fiscal year 2020 for grants to the city of Mazeppa and Wabasha County that may be used for property tax abatements or other costs incurred as a

result of the fire on March 11, 2018. The city of Mazeppa would receive a grant of $2,600 and Wabasha County would receive a grant of $2,400.

- The grants would result in a cost to the state general fund of $5,000 in fiscal year 2020.

Article 8: Tax Increment Financing

Tax Increment Financing – Bloomington (Section 1)
The effective date is following local approval.
Under current law, the Port Authority of the City of Bloomington's Tax Increment Financing (TIF) District No. 1-I, Bloomington Central Station has a 15 year limit (under 2013 special legislation) to complete activities required under the five-year rule.

The bill extends the 15 year limit to 25 years.

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

Tax Increment Financing – Edina (Sections 2-3)
The effective date is following local approval.
The bill would extend the authority to establish tax increment financing (TIF) districts in the Southeast Edina Redevelopment District Area from December 31, 2019 to December 31, 2021. The extension would be effective without local approval.

The bill would also modify pooling authority for the Southdale 2 district. The modified pooling authority would be effective following local approval.

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

Tax Increment Financing – Champlin (Section 4)
The effective date is following local approval.
The five-year rule essentially requires development activity for a tax increment financing (TIF) district to be finished within a five-year period that begins with certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period or to the extent permitted under the pooling rules. When these obligations are paid or enough money has been collected to pay them, the district must be decertified.

The bill extends the five-year rule to ten years for the Mississippi Crossings TIF district in the city of Champlin. The duration of the district would also be extended by five years. The bill also exempts the Mississippi Crossings TIF district from the requirements for the use of revenues for decertification.

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

Tax Increment Financing – Minneapolis (Section 5)
The effective date is following local approval.
The bill would authorize the creation of tax increment financing (TIF) districts for the Upper Harbor Terminal Redevelopment Project in the city of Minneapolis. The TIF districts would have to be within a certain portion of the North Washington Industrial Park Redevelopment Project Area and only include property that was formerly used as a municipally owned intermodal barge shipping facility.

The bill also makes exceptions to some rules for any redevelopment TIF districts established under its authority. These include removing limits on the use of increment, extending the five-year rule to ten years, and allowing increment from any TIF district created under the bill to be spent anywhere within the project area.

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

Tax Increment Financing – Roseville (Section 6)
The effective date is following local approval.
The bill would allow increment generated from Hazardous Substance Subdistrict No. 17A (Twin Lakes Hazardous Substance Subdistrict) to be used on the remaining properties in the district that need environmental remediation. This would be allowed regardless of the date of approval of the response action plan by the Pollution Control Agency.

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

Tax Increment Financing – Duluth (Section 7)
The effective date is following local approval.
The bill would authorize the creation of tax increment financing (TIF) districts in the city of Duluth within a defined area. The bill removes limitations on property eligible to be in a redevelopment district and removes restrictions on eligible expenditures for redevelopment districts for any districts established under its authority.

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

Tax Increment Financing – Burnsville (Section 8)
The effective date is following local approval.
The bill would authorize the creation of tax increment financing (TIF) districts for the city of Burnsville within a defined area. The bill removes the limitations on property eligible to be in a redevelopment district and removes some pooling restrictions on expenditures for any districts established under its authority.

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

Article 9: Public Finance

State Agricultural Society Bonding Authority (Sections 1, 11)
The effective date is July 1, 2019.
Under current law, the State Agricultural Society (which oversees the State Fair) can issue bonds up to $20,000,000. This bonding authority expires July 1, 2025.

This bill would extend the bonding limit to $30,000,000 and would repeal the expiration date for the bonding authority.

- It is assumed that the additional bonding authority would be repaid by the state fair through revenues from ticket sales, licensing exhibit space, and renting facilities, with no impact on state or local tax revenues; therefore this bill would have no effect on the state general fund.

Miscellaneous Public Finance Provisions Changes (Sections 2-7, 9-10)
The effective date is July 1, 2019.
Under current law, the interest rate charged on drainage lien principal may not exceed the interest rate set by the State Court Administrator for judgments and awards. This interest is part of what a property owner pays when a drainage lien special assessment applies to their property. The bill would modify the maximum interest rate allowed for drainage liens on properties so that it may not exceed the rate set by the State Court Administrator, or six percent, whichever is greater.

Under current law, public notices are required 20 days in advance of solicitation of bids for school district facilities projects. The bill would remove this requirement.

The bill also expands the financial backing options counties may use for bond sales.

The bill updates language referencing the United States Bankruptcy Code and the definition of "municipality" for the purpose of capital improvement bonds.

Under current law, the Metropolitan Council cannot use general transit bonding authority proceeds for light rail transit. The bill lifts some restrictions on proceeds that can be used for light rail transit.

- The bill would have no assumed impact on the state general fund.

Metropolitan Council Bonding Authority (Section 8)
The effective date is the day following final enactment.
The bill authorizes the Metropolitan Council to issue up to $92.3 million in certificates of indebtedness, bonds, or other obligations for capital expenditures prescribed in the council's transit capital improvement program. Of the total authorization, the council may issue debt obligations of up to $45.4 million after July 1, 2019 and $46.9 million after July 1, 2020.

- Bonding principal and interest will be paid by increasing property tax levies.
- Based on data from the Metropolitan Council, $996,000 of new debt service levy will be paid in taxes payable year 2020. Debt service levies will increase in future years as more of the authorized bonds are issued.
- Any additional debt service levies increase homeowner taxes starting in taxes payable 2020. Property tax refunds will increase by about $50,000 in fiscal year 2021.
- Additional deductions for income tax itemization lowers income tax receipts. Income tax collections are estimated to decrease by $20,000 in fiscal year 2021.

Articles 16-20, 22: Department Policy and Technical Provisions
Article 16 of the bill makes modifications to certain property tax provisions. Changes would specify the certification dates for small cities assistance and clarify the spousal information required for homestead applications. Articles 17 through 20 of the bill make a number of technical and conforming changes that would recodify fire and police state aid provisions.

Article 22 makes a number of technical and clarifying changes to miscellaneous provisions. Changes would update language referencing persons who are blind or have a disability and married spouses, update dates regarding the distribution of net tax proceeds on mining, and clarify the postmark date for tax court petitions and appeals.

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

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
www.revenue.state.mn.us/research_stats/pages/
revenue-analyses.aspx

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