

**PROPERTY TAX
Omnibus Tax Bill
Articles 4-5, 7-8, 11, 17-22, 24**

June 4, 2019

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

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of Special Session Laws 2019, Chapter 6, Articles 4-5, 7-8, 11, 17-22, 24

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
	(000's)			
<u>Article 4: Property Taxes</u>				
Watershed District Financing Modified	\$0	\$0	\$0	\$0
Historical Society Expenditures for Cities/Towns	\$0	\$0	\$0	\$0
Exclusion for Veterans with a Disability Data Sharing	\$0	\$0	\$0	\$0
Ag Historical Society Exemption	\$0	(negligible)	(negligible)	(negligible)
Exemption for Pharmacy Owned by Indian Tribe	\$0	(negligible)	(negligible)	(negligible)
Exemption for Certain Child Care Facilities	\$0	(negligible)	(negligible)	(negligible)
Increase Threshold for eCRV Filing	\$0	\$0	\$0	\$0
Property Tax Refund for Manufactured Homes	\$0	(\$220)	(\$220)	(\$220)
Ag Homestead Requirements for Entities Modified				
Property Tax Refund Interaction	\$0	(\$60)	(\$60)	(\$60)
Ag Homestead Market Value Credit	\$0	(\$250)	(\$260)	(\$260)
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
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
Ag Homestead Market Value Credit Clarified	\$0	\$0	\$0	\$0
Reporting Requirements Modified for Rural Electric Cooperatives	\$0	\$0	\$0	\$0
Valuation Deadline Changed For State Assessed Properties	\$0	\$0	\$0	\$0
State General Property Tax Decreased	(\$27,500)	(\$50,000)	(\$50,000)	(\$50,000)
Income Tax Interaction	\$0	\$1,370	\$1,370	\$1,370
State General Tax Abatement for Pipelines	\$0	(negligible)	(negligible)	(\$10)
Income Tax Interaction	\$0	\$0	negligible	negligible
Distribution Modified for Penalties, Interest, and Costs	\$0	\$0	\$0	\$0
Tax Forfeited Land Sale Requirements Modified	\$0	\$0	\$0	\$0
Increase Threshold for Deed Tax	(negligible)	(\$5)	(\$5)	(\$10)
Senior Deferral Deadline Modified	\$0	(\$60)	negligible	negligible
Ag Preserves Termination for Parks or Trails	\$0	\$0	\$0	\$0
Ag Preserves Early Termination Authorization				
Ag Preserves Credit	\$0	negligible	negligible	negligible
Property Tax Refund Interaction	\$0	negligible	negligible	negligible
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
Exclusion for Veterans with a Disability Special Refund Provided	negligible	\$0	\$0	\$0

Article 5: Aids and Credits

School Referendum Aid	\$0	(\$8,990)	(\$9,400)	(\$8,150)
Property Tax Refund Interaction	\$0	\$450	\$430	\$370
Income Tax Interaction	\$0	\$210	\$190	\$170
School Building Bond Credit Increased	\$0	(\$9,810)	(\$17,480)	(\$26,290)
Property Tax Refund Interaction	\$0	(\$120)	(\$390)	(\$810)
Income Tax Interaction	\$0	\$90	\$90	\$10
Border City Allocation Modified	\$0	(\$750)	(\$750)	(\$750)
Border City Enterprise Zone Clarification of Restrictions	\$0	\$0	\$0	\$0
LGA Minimum Aid Formula Modification	\$0	\$0	\$0	\$0
LGA Appropriation Increased	\$0	(\$26,000)	(\$30,000)	(\$30,000)
Property Tax Refund Interaction	\$0	\$630	\$730	\$730
Income Tax Interaction	\$0	\$290	\$330	\$330
CPA Appropriation Increased	\$0	(\$26,000)	(\$30,000)	(\$30,000)
Property Tax Refund Interaction	\$0	\$630	\$730	\$730
Income Tax Interaction	\$0	\$290	\$330	\$330
Fire State Aid Allocation – Austin	\$0	\$0	\$0	\$0
Beltrami County Grant	(\$3,000)	\$0	\$0	\$0
Mahnomen County Grant	(\$500)	\$0	\$0	\$0
Otter Tail County Grants	(\$500)	\$0	\$0	\$0
Lilydale Grant	(\$275)	\$0	\$0	\$0
Fire Aid Forgiveness – Austin	(\$129)	\$0	\$0	\$0
Flensburg Grant Forgiveness	(\$38)	\$0	\$0	\$0
Mazeppa Fire Remediation Grants	(\$5)	\$0	\$0	\$0
Wadena County Grant	(\$600)	(\$600)	\$0	\$0
Virginia Grant	\$0	\$0	(\$5,400)	\$0
Melrose Fire Remediation Grants Modified	(\$644)	\$0	\$0	\$0

Article 7: Tax Increment Financing

TIF – Hopkins	\$0	\$0	\$0	\$0
TIF - Bloomington	\$0	\$0	\$0	\$0
TIF - Edina	\$0	\$0	\$0	\$0
TIF – Alexandria	\$0	\$0	\$0	\$0
TIF – Anoka	\$0	\$0	\$0	\$0
TIF - Champlin	\$0	\$0	\$0	\$0
TIF - Duluth	\$0	\$0	\$0	\$0
TIF - Minneapolis	\$0	\$0	\$0	\$0
TIF - Roseville	\$0	\$0	\$0	\$0

Article 8: Public Finance

State Agricultural Society Bonding Authority	\$0	\$0	\$0	\$0
Miscellaneous Public Finance Changes	\$0	\$0	\$0	\$0

Article 11: Miscellaneous

Taconite Municipal Aid Modifications	\$0	\$0	\$0	\$0
Taconite Aid Distribution – Iron Junction	\$0	\$0	\$0	\$0
Taconite Aid Distribution – Breitung Township	\$0	\$0	\$0	\$0
MERF State Aid	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
Iron Range Sanitary Sewer District Board Modification	\$0	\$0	\$0	\$0

Articles 17-22, 24: Department Policy and Technical Provisions

Policy and Technical Provisions	\$0	\$0	\$0	\$0
General Fund Total	\$43,191	(\$128,275)	(\$149,705)	(\$152,430)

Various Effective Dates

***Non-General Fund Impacts**

Taconite Environmental Protection Fund

Modifications to Municipal Aid	\$0	(\$232)	(\$252)	(\$299)
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Douglas J. Johnson Economic Protection Fund

Modifications to Municipal Aid	\$0	(\$192)	(\$170)	(\$175)
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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 new law.

REVENUE ANALYSIS DETAIL

Article 4: Property Tax

Watershed District Financing Modified (Sections 1-2)

The effective date is beginning with taxes payable in 2020.

Under current law, a watershed district's construction or implementation funds may receive loans from the Pollution Control Agency or federal government. The new law allows watershed district's construction or implementation funds to receive loans or grants from the state or federal government.

Under current law, watershed districts can levy for projects that receive grants or loans from the Clean Water Partnership. The new law allows watershed districts to levy for projects that receive grants or loans appropriated by law.

Under current law, watershed districts can levy for repayment of bonds or interest associated with bonds from the Clean Water Partnership. The new law allows watershed districts to levy for repayment of bonds or interest associated with any bonds.

- It is assumed that any additional money levied as a result of these changes will be shifted away from other watershed district funds, and there is no impact assumed to the state general fund.
- If the new law led to a change in the total amount of watershed district levies, property taxes would change for some taxpayers. A change in property taxes could result in a change in homeowner property tax refunds and income tax deductions, which would increase or decrease costs to the state general fund.

Historical Society Expenditures Authorized for Cities and Towns (Section 3)

The effective date is the day following final enactment.

Under current law, cities and towns may levy up to 0.02418 percent of estimated market value (EMV) for their respective county historical societies. The new law allows 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 has no impact on the state general fund. It is assumed that any additional money levied as a result of the new law will be shifted away from other levies.

Exclusion for Veterans with a Disability Data Sharing (Sections 4, 14)

The effective date is the day following final enactment.

The new law allows 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 has no impact on the state general fund.

Agricultural Historical Society Exemption Increased (Section 5)

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 new law increases the maximum acreage eligible for the exemption from 20 acres to 40 acres. For assessment year 2019 only, an exemption application is due by July 1, 2019.

- It is estimated that approximately 10 parcels will receive a larger exemption due to the higher acreage limit.
- For taxes payable in 2020 and thereafter, the larger exemption will 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 will 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 6)

The effective date is beginning with taxes payable in 2020.

The new law exempts 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 is limited to parcels and structures that do not exceed a total of 4,000 square feet. For assessment year 2019 only, an exemption application is due by July 1, 2019. The exemption expires with taxes payable in 2029.

- The Fond Du Lac Band's Mashkiki Waakaaigan Pharmacy in Minneapolis is eligible for this property tax exemption.
- For taxes payable in 2020 and thereafter, a property tax exemption will 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 will increase state-paid homeowner refunds by less than \$5,000 beginning in fiscal year 2021.
- The exemption from the state property tax levy will have no impact on state revenues in payable year 2020 and thereafter because the tax rates will be adjusted to yield the amount of revenue required by statute. The tax reduction for the pharmacy will be shifted onto the other commercial and industrial properties subject to the state levy.

Property Tax Exemption for Certain Child Care Facilities (Section 7)

The effective date is beginning with assessment year 2019, for taxes payable in 2020.

The new law exempts property used as a licensed child care facility if the facility:

1. is operated by a 501(c)(3) nonprofit charitable organization;
2. accepts families participating in the child care assistance program under chapter 119B;
3. is licensed under Minnesota Rules, chapter 9503, or is used to provide licensed family day care or group family day care as defined under Minnesota Rules, chapter 9502.

For assessment year 2019 only, an exemption application is due by July 1, 2019.

- According to the Department of Human Services, there are more than 1,000 licensed child care centers that are registered to accept families participating in the child care assistance program (CCAP).
- It is unknown how many of these facilities are owned and operated by a 501(c)(3) nonprofit charitable organization.
- It is also unknown how many of these CCAP-registered facilities are currently providing care to children that receive assistance through the program.
- It is assumed that approximately 10 facilities will qualify and apply for the exemption.
- For taxes payable in 2020 and thereafter, a property tax exemption will reduce the amount of taxable market value, shifting property taxes away from exempted child care facilities and onto all other property, including homesteads.
- The additional property tax burden on homesteads caused by the exemption will increase state-paid property tax refunds by less than \$5,000 beginning in fiscal year 2021.
- The exemption from the state property tax levy will have no impact on state revenues in payable year 2020 and thereafter because the tax rate will be adjusted to yield the amount of revenue required by statute. The tax reduction for a child care facility will be shifted onto the other commercial and industrial properties subject to the state levy.

Threshold for eCRV Filing Increased (Section 8)

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 new law increases the minimum sale price for filing an eCRV to \$3,000.

- There is no impact to the state general fund from this change.

Property Tax Refund for Manufactured Home Cooperatives (Sections 9, 25)

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 new law allows 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 new law, allowing 17% of rent paid for the land site to be included as property taxes payable will 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 will 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 Requirements for Entities Modified (Sections 10-11)

The effective date is beginning with assessment year 2019.

Under current law, a business entity that farms on behalf of a separate entity does not receive agricultural homestead classification.

The new law extends agricultural homestead classification to properties owned by one entity and operated by another entity if they meet the following requirements:

- The shareholder, member, or partner residing on and actively engaged in farming the land is a shareholder, member, or partner of the entity that is operating the farm; and
 - More than half of the shareholders, members, or partners of each entity are qualifying relatives.
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- It is assumed that one percent, or approximately \$500 million, of 2a and 2b non-homestead land value statewide will qualify as 2a homestead agricultural land under the new law. The classification rate for these properties will change from 1.00% to 0.50% for the first \$1.94 million of value and 1.00% for the remaining value.
 - The new law will also cause a shift in property taxes away from properties newly qualifying as agricultural homestead and onto all other properties, including homesteads.

- The shift in taxes onto homesteads will cause property tax refunds paid by the state to increase by \$60,000 beginning in fiscal year 2021.
- The new law also increases the number of properties eligible for the agricultural homestead market value credit, increasing the credit by \$260,000 beginning in taxes payable 2020. These numbers have been converted to fiscal years for the purpose of this estimate.

Agricultural Homestead Rules Modified for Properties Owned by Trusts (Sections 11-12)

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 new law 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 will be directly impacted by the new law.
- The new law causes 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 increase by a negligible amount beginning in fiscal year 2021.
- The new law also increases 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 13)

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 new law changes how homestead share is determined for agricultural homesteads owned by tenants in common. Under the new law, these properties will receive a percentage of homestead based on their ownership interest in the property as listed in the county land records.

- The actual ownership interest for homestead properties owned by tenants in common statewide is unknown. Therefore, the share of homestead property that will become non-homestead, and vice versa, under the new law is unknown.
 - Properties receiving a larger share of homestead under the new law will have a lower classification rate.
 - Properties receiving a smaller share of homestead under the new law will have a higher classification rate.
- Property taxes will shift away from properties receiving a larger share of homestead under the new law and onto all other properties, including other homesteads. Property taxes will

also shift onto properties receiving a smaller share of homestead under the new law and away from all other properties, including other homesteads.

- The shift in taxes onto/away from homesteads will cause property tax refunds paid by the state to change by an unknown amount beginning in fiscal year 2021.
- The new law will change the amount of market value eligible for the agricultural homestead market value credit, changing the credit by an unknown amount beginning in fiscal year 2021.

Land Used for Environmental Benefits Classification Modified (Section 15)

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 new law 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 new law, this land will be classified as 2a agricultural land.

- Under the new law, land used for environmental purposes qualifies as 2a homestead or non-homestead agricultural land. Depending on the land's current classification, land qualifying as 2a homestead agricultural land under the new law may receive a lower class rate than it has under current law.
- It is assumed that a small number of properties will receive a reduced class rate under the new law.
- The new law will 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 increases state-paid property tax refunds by less than \$5,000 beginning in fiscal year 2021.
- The new law also increases 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 16)

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 new law changes the application due date to December 15. All approved applications filed by December 15 will 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 new law allows surviving spouses to continue receiving the benefit indefinitely, as long as they have not remarried and continue to own and occupy the homestead.

1. Application Due Date Modified

- The new law allows 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 will 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 will 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 will be impacted under the new law is 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 new law will shift an estimated \$2 million in property tax (payable in 2020) onto all other property types, including other homesteads. This will increase state-paid homeowner refunds. The overall savings to the state is net of these costs.
- Under the new law, an estimated \$600,000 of refund savings currently projected for fiscal year 2022 will 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 new law 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 will be eligible to continue receiving the valuation exclusion. A 90% participation rate for surviving spouses is assumed.
- The new law will shift an estimated \$150,000 in property tax (payable in 2020) onto all other property types, including other homesteads. This will 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 is an estimated \$30,000 in fiscal year 2021.

Agricultural Homestead Market Value Credit Clarified (Section 17)

The effective date is beginning with taxes payable in 2020.

The new law clarifies that the maximum credit for a full agricultural homestead is \$490 and that the maximum credit any owner can receive is \$490 multiplied by the owner's percentage of homestead.

- It is assumed that this provision will have no impact on the state general fund.

Reporting Requirements for Rural Electric Cooperatives Modified (Section 18)

The effective date is beginning with assessment year 2020.

Under current law, the commissioner of revenue prescribes the content, form, and manner required for data reported to the state.

The new law requires that any property tax data reported by rural electric cooperative associations be at the unique taxing jurisdiction level and must exclude information related to payment-in-lieu taxes.

- It is assumed that this provision will have no impact on the state general fund.

Valuation Deadline Changed for State Assessed Properties (Section 19)

The effective date is beginning with assessment year 2019.

Under current law, when the state provides recommended assessment values to counties, the values must be certified to county auditors by August 1. Any valuation adjustments made after August 1 must be issued by October 1.

The new law requires that recommended assessment values be certified to county auditors by July 15. Any valuation adjustments made after July 15 must still be issued by October 1.

- It is assumed that this provision will have no impact on the state general fund.

State General Property Tax Decreased (Section 20)

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.

The new law reduces the state general levy for commercial-industrial property to \$737,090,000. The new law also reduces the state general levy for seasonal-recreational property to \$41,690,000.

- The state general levy is reduced by \$50 million per year beginning in taxes payable 2020. These numbers have been converted to fiscal years for the purpose of this estimate.

- Lower property taxes will reduce deductions on corporate and individual income tax returns, increasing state tax collections beginning in fiscal year 2021.

State General Property Tax Abatement Authorized for Natural Gas Pipelines (Section 21)

The effective date is beginning with taxes payable in 2020.

Under current law, the state general levy for commercial-industrial property is paid for by specified commercial-industrial property, except the first \$100,000 of market value.

The new law provides an abatement of state general property tax for personal property that is part of an intrastate natural gas transportation or distribution pipeline system if it meets certain qualifications. These qualifications include: construction began after January 1, 2018, the property is located outside the metropolitan area, and the property is located in an area in which households or businesses lacked access to natural gas distribution before January 1, 2018. The abatement applies for no more than 12 years. Taxpayers must file an application by March 1 of the first assessment year they seek to receive the abatement. The net tax capacity for this property will still be included in the commercial-industrial tax capacity used to calculate the state general levy tax rate.

- As of assessment year 2018, there are no properties that qualify for the state levy abatement under the new law. However, properties that are a part of a gas pipeline project will be eligible for the abatement once construction begins in a qualifying area.
- It is assumed that one gas pipeline system will be partially constructed by assessment year 2020 for taxes payable in 2021. Because it is assumed the system will not be fully constructed by taxes payable 2021 (the effective date of the new law), there will be additional state general levy impacts outside the forecast window due to the property's increase in value as construction is completed.
- By abating state general tax for certain properties, state revenues will be reduced by less than \$5,000 in fiscal years 2021 and 2022, and \$10,000 in fiscal year 2023.
- Lower property taxes will reduce deductions on corporate and individual income tax returns, increasing state tax collections by less than \$5,000 beginning in fiscal year 2022.
- Additional gas pipeline system properties may receive the state general tax abatement in the future.

Distribution Modified for Penalties, Interest, and Costs (Section 22)

The effective date is for penalties, interest, and costs collected on taxes payable in 2020 and thereafter.

Under current law, all penalties, interest, and costs collected on overdue wind or solar production taxes are distributed according to the table below (this distribution is also used for real and personal property taxes):

Type of Collection	Distribution		
	School Districts	City/Town	County
Penalties	50%	-	50%
Interest - delinquent 1 year or less	50%	-	50%
Interest - delinquent more than 1 year	50%	50% * Ratio1	remainder
Costs	-	-	100%

$$\text{Ratio1} = \text{city-town-tax-rate} / (\text{city-town-tax-rate} + \text{county-tax-rate})$$

The new law requires that all penalties, interest, and costs collected on overdue wind or solar production taxes be distributed according to the table below:

Type of Collection	Distribution		
	School Districts	City/Town	County
Penalties	-	20%	80%
Interest - delinquent 1 year or less	-	20%	80%
Interest - delinquent more than 1 year	-	20%	80%
Costs	-	20%	80%

- The new law may reduce the amount of penalty and interest collections that are distributed to some school districts, and may increase the distribution of penalty and interest collections to some cities, towns, and counties.
- This will not impact local government aids administered by the Department of Revenue.
- However, it may increase Department of Education payments to schools by an unknown amount.

Tax-Forfeited Land Sale Requirements Modified (Section 23)

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 new law requires 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 must 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 must 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 must return the deed to the state for cancellation.
3. If a 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 must be returned to the county auditor, who, upon receipt, must return the deed to the state for cancellation.
4. A deed issued under this subdivision will not be effective until it is recorded. The county recorder or registrar of titles will not record the deed if it does not also contain a certification signed by the county auditor.

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

Increase Threshold for Deed Tax (Section 24)

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 \times \500 .)

The new law changes the fourth provision on the list and the minimum tax of \$1.65 will 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 fiscal year 2015, fiscal year 2016, and fiscal year 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 Deadline Modified (Section 26)

The effective date is beginning with applications submitted in 2019.

Under current law, applications received prior to July 1 of a calendar year are eligible for 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 on or after July 1, 2019, will first be eligible for property tax deferral beginning for taxes payable in 2021).

The new law modifies the application deadline for the senior citizen property tax deferral program by changing the application deadline from July 1 to November 1.

- Under the new law, applicants filing after July 1 will become eligible for property tax deferral one year earlier than compared to current law.
- The first year impacted will be applications filed in 2019 for taxes payable in 2020 (state deferral payment in fiscal year 2021). It is estimated that approximately \$60,000 in deferral payments that would have first been made in fiscal year 2022 will now be made in fiscal year 2021.
- The state general fund net impact in subsequent years is estimated to be less than \$5,000 beginning in fiscal year 2022.

Agricultural Preserves Termination Allowed for Parks or Trails (Sections 27-29)

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 new law allows 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 will expire only on the portion of the property that is acquired for trail or park purposes. The new law applies only to agricultural preserve land in the seven-county metropolitan area.

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

Agricultural Preserves Early Termination Allowed (Section 30)

The effective date is the day following final enactment.

Under current law, a metropolitan agricultural preserve is allowed to expire no sooner than eight years after the date when termination of the covenant is officially requested. However, immediate withdrawal from the program may be requested by a surviving owner within 365 days of the death of an owner, an owner's spouse, or other qualifying person. When a covenant is terminated in this manner, the property is subject to additional taxes equal to 50% of the total tax amount levied against the property in the current payable year.

The new law allows an owner to request immediate termination of a metropolitan agricultural preserve if the land has been enrolled in the program for at least eight years. All requests for immediate termination under this provision will require approval by a majority vote of the planning and zoning authority in which the agricultural preserve is located. Covenants terminated under this provision will not be subject to additional taxes.

- It is assumed that local planning and zoning authorities will approve requests for early termination only when those requests align with local planning initiatives.
- It is assumed that approximately five parcels per year will withdraw from the program under this provision.
- Parcels that leave the program will no longer be eligible for the state-paid agricultural preservation credit, resulting in a state savings of less than \$5,000 in fiscal year 2021-2023.
- Also, any parcel that withdraws from the program will no longer be assessed solely for its agricultural value.
- Every time a parcel withdraws from the program there will be some shifting of taxes within individual jurisdictions onto the parcel in question and away from other properties, including other homesteads. Some of these homesteads may receive a smaller property tax refund, resulting in a state savings of less than \$5,000 beginning in fiscal year 2021.

Levy Authority Extended for Northwest Minnesota Multicounty Housing and Redevelopment Authority (Section 31)

The effective date is beginning with taxes payable in 2019.

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 new law authorizes 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 2024.

- There is 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 32-36)

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 new law allows the Cloquet Area Fire and Ambulance Special Taxing District to issue certificates of indebtedness or capital notes. The district is allowed to levy debt in the same manner as municipalities.

- According to a local official with the taxing district, under the new law, bonds will be issued for the construction of a new fire station in taxes payable 2021. The bonds will 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 fiscal year 2022.

- Higher levies will result in higher income tax deductions, decreasing revenues to the state general fund beginning in fiscal year 2022.

Clarification of SFIA for Paved Trails (Section 37)

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 new law 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.

- This clarification of SFIA eligibility will have no impact on the state general fund.

Exclusion for Veterans with a Disability Special Refund Provided (Section 38)

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 new law allows 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 will be calculated as follows:

- The county auditor will 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 will be refunded to the taxpayer.

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

- It is assumed that fewer than 10 taxpayers will apply for the special refund.
- There will be no shifting of taxes since property taxes have already been paid for 2017 and 2018.
- It is assumed that the new law will 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 will need to file an amended property tax refund return. The amount of the homeowner's refund will be recalculated and reduced. The savings to the state general fund is assumed to be less than \$5,000 in fiscal year 2020.

Article 5: Aids and Credits

School District Equalized Referendum Levies Modified (Section 1)

The effective date is beginning with taxes payable in 2020.

The new law increases school referendum aid by adjusting the factors used to calculate the tiers of referendum equalization levies.

- Based on estimates from the Department of Education, the new law will increase state aid to school districts by \$8.99 million in fiscal year 2021, \$9.40 million in fiscal year 2022, and \$8.15 million in fiscal year 2023.
- The increase in referendum aid to independent school districts will reduce existing school district levies beginning in taxes payable 2020. Lower levies will reduce property taxes on all property.
- The lower property tax burden will 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.

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 new law gradually increases the percent of the property's eligible net tax capacity that is used to calculate the credit amount. The percent will be 50 percent for taxes payable in 2020, 55 percent for taxes payable in 2021, 60 percent for taxes payable in 2022, and 70 percent for taxes payable in 2023 and after.

- 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 new law, the statewide cost of the school building bond credit is estimated to increase by \$11 million in taxes payable 2020, \$18 million in taxes payable 2021, and \$27 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 beginning 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.

Border City Allocation Modified (Section 3)

The effective date is July 1, 2020.

The new law allocates an additional \$750,000 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 \$750,000 will increase state general fund costs beginning in fiscal year 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 4)

The effective date is the day following final enactment.

The new law clarifies language restricting what types of property can qualify for border city enterprise zone tax reductions.

- It is assumed that there will be no impact on the state general fund.

Local Government Aid Minimum Aid Formula Modification (Section 5)

The effective date is beginning for aids payable in 2020.

The new law modifies the minimum aid formula for local government aid (LGA) to exclude any expired aid adjustments and also provide that no city receive less aid in 2020 than it was certified to receive in 2019.

- There is 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 Appropriation Increased (Section 6)

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 new law increases the LGA appropriation by \$26 million to \$560,398,012 for aids payable in 2020. For aids payable in 2021 and thereafter, the LGA appropriation is increased an additional \$4 million to \$564,398,012.

- Increasing the appropriation for LGA to cities will increase costs to the state general fund by \$26 million in calendar year 2020 and \$30 million in calendar years 2021 and thereafter.
 - It is assumed that the permanent increase in aid to cities will reduce property tax levies by a portion of the increase. This will reduce property taxes on all property classes including homesteads.
- The reduced property tax burden will 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 Appropriation Increased (Section 7)

The effective date is beginning with aids payable 2020.

The new law increases appropriations for County Program Aid (CPA). The CPA appropriation will increase from \$234,668,444 to \$260,668,444 in fiscal year 2021. The appropriation will increase to \$264,668,444 starting in fiscal year 2022 through fiscal year 2025. For fiscal year 2026 and thereafter the appropriation will be \$261,668,444. The appropriation increase is split evenly between need aid and tax base equalization aid.

- Increasing the appropriation for CPA to counties will increase costs to the state general fund by \$26 million in calendar year 2020 and \$30 million in calendar years 2021 and thereafter.
 - It is assumed that the increase in aid to counties will reduce property tax levies by a portion of the increase. This will reduce property taxes on all property classes including homesteads.
- The reduced property tax burden will reduce state-paid homeowner property tax refund and income tax deductions beginning in fiscal year 2021, resulting in a savings to the state general fund.

Fire State Allocation - Austin (Section 8)

Effective upon local approval.

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.

A 2018 law allowed the city of Austin to split its fire aid between career and volunteer firefighters. The 2018 law is set to expire on July of 2019. The new law extends the deadline until general legislation dealing with allocation between volunteer firefighters relief associations and affiliated municipalities is enacted.

- It is assumed that there will be no impact on the state general fund.

LGA Forgiveness – Waubun (Section 9)

The effective date is the day following final enactment

The new law allows the city of Waubun to receive payment for the portion of its 2018 LGA and 2018 Small Cities Assistance payments that were withheld for failing to meet financial reporting requirements with the state auditor. The city must file its 2017 financial reports 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 fiscal year 2019 by June 30, 2019.

- There are no additional costs to the state general fund in fiscal year 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.

Beltrami County Grant (Section 10)

Effective the day following final enactment.

The new law makes a one-time appropriation of \$3,000,000 from the state general fund in fiscal year 2020 for a grant to Beltrami County to be used for out-of-home placement costs.

- The appropriation results in a one-time cost of \$3,000,000 to the state general fund in fiscal year 2020.

Mahnomen County Grant (Section 10)

Effective the day following final enactment.

The new law makes a one-time appropriation of \$500,000 from the state general fund in fiscal year 2020 for a grant to Mahnomen County. Of the total grant, \$250,000 must be used by the county for the Mahnomen Health Center, and \$250,000 must be paid from the county to the White Earth Band of Ojibwe for reimbursements related to delivering child welfare services.

- The appropriation results in a one-time cost of \$500,000 to the state general fund in fiscal year 2020.

Otter Tail County Grant (Section 10)

Effective the day following final enactment.

The new law makes a one-time appropriation of \$500,000 from the state general fund in fiscal year 2020 for a grant to Otter Tail County to be used for debt service on a building in Fergus Falls.

- The appropriation results in a one-time cost of \$500,000 to the state general fund in fiscal year 2020.

Lilydale Grant (Section 10)

Effective the day following final enactment.

The new law makes a one-time appropriation of \$275,000 from the state general fund in fiscal year 2020 for a grant to the city of Lilydale in Dakota County to be used for infrastructure upgrades and bond payments related to the Highway 13 construction.

- The appropriation results in a one-time cost of \$275,000 to the state general fund in fiscal year 2020.

Austin Grant (Section 10)

Effective the day following final enactment.

The new law makes a one-time appropriation of \$129,000 from the state general fund in fiscal year 2020 for a grant to the city of Austin in Mower County to reimburse the city for 2016 fire aid and supplemental aid.

- The appropriation results in a one-time cost of \$129,000 to the state general fund in fiscal year 2020.

Flensburg Grant (Section 10)

Effective the day following final enactment.

The new law makes a one-time appropriation of \$38,400 from the state general fund in fiscal year 2020 for a grant to the city of Flensburg in Morrison County to reimburse the city for 2017 LGA and Small Cities Assistance.

- The appropriation results in a one-time cost of \$38,400 to the state general fund in fiscal year 2020.

Mazeppa Fire Remediation Grants (Section 10)

Effective the day following final enactment.

The new law 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 will receive a grant of \$2,600 and Wabasha County will receive a grant of \$2,400.

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

Wadena County Grant (Section 10)

Effective the day following final enactment.

The new law makes an appropriation of \$600,000 from the state general fund in fiscal year 2020 and an additional \$600,000 in fiscal year 2021 for a grant to Wadena County for costs related to providing human services.

- The grant to Wadena County results in a cost of \$600,000 to the state general fund in fiscal year 2020 and fiscal year 2021.

Virginia Grant (Section 10)

Effective the day following final enactment.

The new law makes an appropriation of \$5.4 million from the state general fund in fiscal year 2022 for a grant to the city of Virginia in St. Louis County for repaying loans incurred by the city for costs related to utility relocation for the U.S. Highway 53 project.

- The grant to the city of Virginia in St. Louis County results in a cost of \$5.4 million to the state general fund in fiscal year 2022.

Melrose Fire Remediation Grants Extension (Section 11)

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 state general fund.

The new law re-appropriates \$643,729 from the general fund for grants to be used to remediate the effects of the fire. The appropriation is available until June 30, 2021.

- The appropriation results in a cost of \$647,729 to the state general fund in fiscal year 2020.

Article 7: Tax Increment Financing

Tax Increment Financing – Hopkins (Section 1)

The effective date is following local approval.

Under current law, the redevelopment tax increment financing (TIF) district 2-11 in the city of Hopkins was not allowed to use increments for any activities outside of the district, except for administrative expenses and to pay the costs of qualifying housing activities. The new law removes some pooling restrictions, including allowing use of increments administrative expenses outside the district, as long as no more than ten percent of total increments is used for this purpose.

Under current law, the district is allowed to use increment on housing activities outside the district, as long as no more than 20 percent of total increments is used for this purpose. The new law increases this limit to 25 percent and expands the activities allowed to include redevelopment activities.

- The 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 – Bloomington (Section 2)

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 new law extends the 15 year limit to 21 years.

- The 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 (Section 3)

The effective date is following local approval.

The new law extends 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 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 – Alexandria (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 new law extends the deadline of the five-year rule to July 16, 2023 for TIF District No. 50 (Jefferson High School property) in the city of Alexandria.

- The 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 – Anoka (Section 5)

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 new law extends the deadline of the five-year rule to April 7, 2023 for the Commuter Rail Transit Village TIF district in the city of Anoka.

- The 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 6)

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 new law extends the five-year rule to ten years for the Mississippi Crossings TIF district in the city of Champlin. The new law also allows the city of Champlin the option to extend duration of the district by five years.

- The 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 – Duluth (Section 7)

The effective date is following local approval.

The new law authorizes the creation of tax increment financing (TIF) districts in the city of Duluth within a defined area. The new law 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 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 – Minneapolis (Section 8)

The effective date is following local approval.

The new law authorizes the creation of tax increment financing (TIF) districts for the Upper Harbor Terminal Redevelopment Project in the city of Minneapolis. The TIF districts 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 new law also makes exceptions to some rules for any redevelopment TIF districts established under its authority. These include removing limits on the use of increment, allowing increment from any TIF district created under the new law to be spent anywhere within the project area, and extending the five-year rule to ten years for any district established under this law's authority.

- The 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 9)

The effective date is following local approval.

The new law allows 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 is allowed regardless of the date of approval of the response action plan by the Pollution Control Agency.

- The 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, 10)

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.

The new law extends the bonding limit to \$30,000,000 and repeals the expiration date for the bonding authority.

- It is assumed that the additional bonding authority will 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 there is no impact on the state general fund.

Miscellaneous Public Finance Provisions Changes (Sections 2-9)

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 new law modifies 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 new law removes this requirement.

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

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

- It is assumed that there will be no impact to the state general fund.

Article 11: Miscellaneous

Taconite Municipal Aid Guarantee and Indexing for Inflation (Sections 9-10)

Effective 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 new law modifies 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 new law also annually indexes for inflation the cents per ton distribution rate.

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

- The increased distribution to cities and townships will equal approximately \$424,000 for distribution year 2020.
- The increased distribution to cities and townships reduces distributions to the Taconite Environmental Protection Fund and the Douglas J. Johnson Economic Fund.

Taconite Aid Distribution Modified – Iron Junction (Section 11)

Effective beginning for distributions made in 2020.

The new law modifies the eligibility requirements for receiving a taconite aid distribution by including any city located within six miles of five other cities qualifying for aid. An eligible city will receive a distribution equal to \$5,000 and all other cities and towns receiving a distribution will be reduced proportionately.

- The changes to the local distribution of taconite production taxes have no impact on the state general fund.
- Under the new law, the city of Iron Junction is the only city that will become newly eligible for a distribution. The change in distribution shifts \$5,000 to the city of Iron Junction and away from all other cities currently receiving a distribution.

Taconite Aid Distribution Modified – Breitung Township (Section 12)

Effective beginning for distributions made in 2020.

The new law modifies the distribution of Taconite Municipal Aid by providing a \$15,000 distribution to Breitung Township in St. Louis County. The new law also adds clarifying language for the current distribution of Taconite Municipal Aid.

- The changes to the local distribution of taconite production taxes have no impact on the state general fund.
- Under the new law, the change in distribution shifts \$15,000 to Breitung Township and away from all other municipalities currently receiving Taconite Municipal Aid.

Minneapolis Employee Retirement Fund (MERF) State Aid (Sections 13-14)

Effective the day following final enactment.

The new law increases the state's payment to the Minneapolis Employee Retirement Fund from \$6 million to \$16 million in 2019 and thereafter.

- The increased payment would increase annual costs to the state general fund by \$10 million beginning in fiscal year 2020.

Iron Range Sanitary Sewer District Board Modification (Sections 15-16)

The effective date is after local compliance.

The new law makes the following clarifications to the Iron Range Sanitary Sewer District:

- Removes Balkan township from the establishment subdivision, as they chose not to join the district.
- Updates Ironworld to its new name: the Minnesota Discovery Center.

- Allows members of municipal governing boards to be members of the Iron Range Sanitary Sewer District.

The new law also excludes the IRRB representative on the sewer board from needing to be a resident of a municipality in the district.

- The clarifications and modifications made to the Iron Range Sanitary Sewer District would have no impact on the state general fund.

Articles 17-22, 24: Department Policy and Technical Provisions

Article 17 of the new law makes modifications to certain property tax provisions. Changes specify the certification dates for small cities assistance and clarify the spousal information required for homestead applications. Article 18 makes a number of technical and clarifying changes to update out-of-date references to abstracts for property tax data reporting.

Articles 19 through 22 of the new law make a number of technical and conforming changes that recodify fire and police state aid provisions.

Article 24 makes a number of technical and clarifying changes to miscellaneous provisions. Changes 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 is no impact to the state general fund due to these changes.

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

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