

**Minnesota Department of Revenue**

**ORDER ADOPTING AMENDMENT OF RULES**

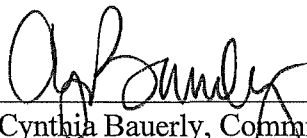
**Adoption of Permanent Exempt Rules Referencing Property Tax Data Submissions:  
Amending Minnesota Rules, parts 8106.0700 and 8106.0800;  
Revisor's ID Number R-04629.**

**WHEREAS:**

1. The rulemaking provisions of Minnesota Statutes, Chapter 14, are unnecessary and impracticable when, as in this case, amendments are made to a rule that incorporates specific changes set forth in applicable statutes when no interpretation of law is required. Minnesota Statutes, section 14.388.
2. The attached Findings & Statement of Supporting Reasons justifies the good cause exemption from rule-making provided by Minnesota Statutes, section 14.388, and is hereby incorporated by reference.
3. The rulemaking complies with all applicable law, including: a) the procedural requirements in Minnesota Statutes, section 14.388, and Minnesota Rules, part 1400.2400; and b) the notice requirements in Minnesota Statutes, sections 14.22, subdivision 1, and 14.388, subdivision 2. The Department provided notice in various ways, including: providing notice on the Department website; sending notice to persons who registered their name with the Department under Minnesota Statutes, section 14.14, subdivision 1a; and sending notice to all county assessors, auditors, and treasurers who submit property tax data to the Department.
4. The attached certified copy of the rule demonstrates that the Office of the Revisor has approved its form, as required by Minnesota Statutes, section 14.386, paragraph (a)(1), and Minnesota Rules, part 1400.2400.

IT IS ORDERED that the above-captioned rule, in the form certified as approved by the Office of the Revisor, is adopted pursuant to authority vested in me by Minnesota Statutes, SECTION 270C.06, WHICH PROVIDES THAT THE Commissioner of Revenue shall "make, publish, and distribute rules for the administration and enforcement of...state revenue laws." Under this statute, the Commissioner of Revenue has the necessary statutory authority to amend this rule.

Feb. 19, 2020  
Date

  
\_\_\_\_\_  
Cynthia Bauerly, Commissioner  
Department of Revenue

## FINDINGS & STATEMENT OF SUPPORTING REASONS

### I. Background

The 2019 tax bill (2019 Minnesota Laws, 1<sup>st</sup> Special Session, chapter 6) amended Minnesota Statutes, section 270C.85, subdivision 2, to clarify that the commissioner of revenue may collect property tax data at the parcel level or higher in the time, form, and manner as the commissioner may prescribe. This method of collection is consistent with property tax data collection under the Property Record Information System of Minnesota (PRISM). Sections of statute that referenced abstract-level property tax data were also amended to cross-reference Minnesota Statutes, section 270C.85, subdivision 2.

The proposed amendments to Minnesota Rules, Chapter 8106, bring the Chapter 8106 rules into conformity with these statutory changes.

### II. Amendments Exempt Because They Reflect Statutory Change

Minnesota Statutes, section 14.388, subdivision 1, clause (3), provides a good cause exemption to the regular rulemaking process for amendments that “incorporate specific changes set forth in applicable statutes when no interpretation of law is required.”

The following proposed amendments qualify for the good cause exemption because they bring Chapter 8106 into conformity with statutory change:

- Minnesota Rules, part 8106.0700, subpart 3, is being amended to reflect statutory change consistent with the cross-reference changes to property tax data submissions that occurred in the 2019 tax bill. The proposed amendments remove references to the abstracts of assessment, which are no longer filed by the counties to the commissioner under PRISM. Language is inserted which refers to property tax information reported to the commissioner of revenue under Minnesota Statutes, section 270C.85, subdivision 2, clause (4).
- Minnesota Rules, part 8106.0800, subpart 2, is being amended to reflect statutory change consistent with the cross-reference changes to property tax data submissions that occurred in the 2019 tax bill. The proposed amendments remove references to the State Board of Equalization abstract of market value, which is no longer filed by the counties to the commissioner under the PRISM. Language is inserted which refers to property tax information reported to the commissioner of revenue under Minnesota Statutes, section 270C.85, subdivision 2, clause (4).

1.1 **Department of Revenue**1.2 **Adopted Exempt Permanent Rules Relating to Property Tax Data Reports Amendments**1.3 **8106.0700 APPORTIONMENT.**1.4 *[For text of subparts 1 and 2, see Minnesota Rules]*

1.5 **Subp. 3. Railroad operating land.** The information for the computation of this  
1.6 apportionment component will be based on information submitted by both the railroads and  
1.7 the various county auditors and assessors. The railroad companies shall file with the  
1.8 commissioner of revenue each year, in conjunction with their annual reports required by  
1.9 part 8106.0300, subpart 1, the number of acres of railroad operating land owned or used by  
1.10 them in each taxing district in which they operate. The county auditor shall also be required  
1.11 to submit to the commissioner of revenue a report showing the number of acres of railroad  
1.12 operating land, detailed by owning railroad, in each taxing district within the county. If  
1.13 either the railroads or the auditors find that it is administratively impracticable to submit  
1.14 this information, the commissioner shall make an estimate of the number of acres of railroad  
1.15 operating land within each taxing district based on the best information available. Such  
1.16 information would usually consist of the miles of railroad track within the taxing district  
1.17 and the normal width of the right-of-way used by the railroad. In addition, information  
1.18 relative to the current estimated market value of all land within the respective taxing districts  
1.19 will be obtained from the county or city assessors by a review of the abstract of assessment  
1.20 of real and personal property which the various assessors are required to submit yearly to  
1.21 information reported to the commissioner of revenue in compliance with Minnesota Statutes,  
1.22 section 273.061 270C.85, subdivision 9 2, clause (4). A review will also be made of the  
1.23 abstract of assessment of exempt real property which is submitted to the commissioner of  
1.24 revenue by the various assessors in compliance with Minnesota Statutes, section 273.18.

1.25 The computation for the railroad operating land apportionment component will be  
1.26 accomplished annually in the following manner:

3 1 Department of Revenue commonly known as the State Board of Equalization Sales/Ratio  
3.2 Study will be used in this computation. The portions of this study which will be used for  
3.3 purposes of this section are known as the "County Commercial and Industrial Sales Ratio."

3.4 This commercial and industrial (C & I) sales ratio is computed through an analysis of  
3 5 the certificates of real estate value filed by the buyers or sellers of commercial or industrial  
3 6 property within each county. The information contained on these certificates of real estate  
3.7 value is compiled pursuant to requests, standards, and methods set forth by the Minnesota  
3.8 Department of Revenue acting upon recommendations of the Minnesota legislature. The  
3 9 most recent C & I study available will be used for purposes of this section.

3.10 The median C & I sales ratio from the County Commercial and Industrial Sales Ratio  
3.11 study will be used as a basis to estimate the current year C & I median ratio for each county.

3 12 The process used to estimate this current year median ratio will be as follows.

3.13 ~~The State Board of Equalization abstract of market value will be examined.~~ The current  
3.14 estimated market value of commercial and industrial property within each county will be  
3.15 taken from this abstract the information reported to the commissioner under Minnesota  
3.16 Statutes, section 270C.85, subdivision 2, clause (4). The amount of the value of new  
3.17 commercial and industrial construction, ("new" meaning since the last assessment period)  
3.18 as well as the value of commercial and industrial property which has changed classification  
3.19 (i.e. commercial to tax exempt property) will also be taken from the abstract information  
3.20 reported to the commissioner under Minnesota Statutes, section 270C.85, subdivision 2,  
3.21 clause (4). The value of new construction will then be deducted from the estimated market  
3.22 value, resulting in a net estimated current year market value for commercial and industrial  
3.23 property within the county. The value of commercial and industrial property which has  
3.24 changed classification will be deducted from the previous years estimated market value to  
3.25 arrive at a net estimated previous year market value for commercial and industrial property  
3.26 within the county. The net current year value will be compared to the net previous year's

4 1 estimated market value for commercial and industrial property within the county and the  
 4 2 difference between the two values noted. This difference will be divided by the previous  
 4 3 year's net estimated market value for commercial and industrial property to find the  
 4 4 percentage of increase, or decrease, in assessment level for each year. This percent of change  
 4 5 will be applied to the most recent C & I median ratio to estimate the current year's C & I  
 4 6 median ratio. An example of this calculation for a typical county is shown below.

4 7	Current Year Estimated Market Value for		
4 8	Commercial and Industrial Property	\$12,000,000	
4 9	Less: New Construction	1,500,000	
4 10		<hr/>	
4 11	Current Year Net Estimated Market Value for		
4 12	Commercial and Industrial Property		10,500,000
4 13	Previous Year Estimated Market Value for		
4 14	Commercial and Industrial Property	10,250,000	
4 15	Less: Classification Changes	250,000	
4 16		<hr/>	
4 17	Previous Year Net Estimated Market Value for		
4 18	Commercial and Industrial Property		10,000,000
4 19			<hr/>
4 20	Difference Previous Year vs. Current Year		
4 21	Estimated Market Value		500,000
4 22	Percent of Change (500,000 ÷ 10,000,000)		5%
4 23	Previous Year Median Commercial and Industrial		
4 24	Ratio		88%
4 25	Current Year Estimated Median Commercial and		
4 26	Industrial Ratio (88% x 105%)		92.4%

4 27 This same calculation is performed for each Minnesota county which contains operating  
 4 28 railroad property. If there are five or fewer valid sales of commercial and industrial property  
 4 29 within a county during the study period, these few sales are insufficient to form the basis  
 4 30 for a meaningful C & I ratio. Therefore, the median assessment/sales ratio to be used for

5.1 purposes of the above computation will not be the median C & I ratio but will be the weighted  
 5.2 median ratio of all property classes within the county for which a sales ratio is available.  
 5.3 This weighted median ratio is computed in the same manner using the same procedures and  
 5.4 standards as the C & I ratio. In addition, the computation described above will not be  
 5.5 performed using the commercial and industrial estimated market value but will use the  
 5.6 estimated market value for all property within the county. All other aspects of the calculations  
 5.7 are identical except for this substitution.

5.8 The weighted median ratio is developed by multiplying the median ratio for each class  
 5.9 of property (agricultural, residential, recreational, commercial) by the percentage of value  
 5.10 that class of property comprises of the total county value. An example of this calculation  
 5.11 is as follows:

5.12	5.13	Amount of	Percent of	Median	Weighted
	Class of Property	Value	Value	Ratio	Median Ratio
5.14	Residential	\$ 20,000,000	20%	85%	17.00%
5.15	Agricultural	55,000,000	55%	95%	52.25%
5.16	Seasonal - Recreational	5,000,000	5%	90%	4.50%
5.17	Commercial - Industrial	20,000,000	20%	85%	17.00%
5.18	Total	\$100,000,000	100%		90.75%

5.19 [For text of subpart 3, see Minnesota Rules]

# Office of the Revisor of Statutes

## Administrative Rules



**TITLE:** Adopted Exempt Permanent Rules Relating to Property Tax Data Reports Amendments

**AGENCY:** Department of Revenue

**REVISOR ID:** R-4629

**MINNESOTA RULES:** Chapter 8106

The attached rules are approved as to form

A handwritten signature in cursive script that reads "Maureen Sandey".

Maureen Sandey  
Assistant Revisor