DEPARTMENT OF REVENUE

PROPERTY TAX
House Property Tax Division Report
Articles 1-5

April 16, 2024

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 5198 (Lislegard), 1st Division Engrossment

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
		(000's)		
Article 1: Property Taxes and Local Government Aids				
Grand Portage Band Exemption				
School Bond Credit Interaction	$0	$0	$0	negligible
Property Tax Refund Interaction	$0	$0	$0	(negligible)
Leech Lake Band Exemption	$0	$0	$0	($10)
Homestead Resort Tiers Increased	$0	$0	$0	($30)
Land Bank Property Abatement	$0	$0	($10)	($10)
LGA Township Aid Calculation Adjustment	$0	$0	($2,500)	($2,500)
Property Tax Refund Interaction	$0	$0	$70	$70
Income Tax Interaction	$0	$0	$20	$20
Red Lake Nation Tribal College Exemption	($122)	$0	$0	$0
LGA Penalty Forgiveness – Stewart	$0	$0	$0	$0
Article 2: Minerals Taxes				
Taconite Homestead Credit Increase				
Property Tax Refund Interaction	$0	$0	$850	$850
Income Tax Interaction	$0	$0	$40	$40
IRFD Tax Statement Changes	$0	$0	$0	$0
Clarifying Gross Proceeds Tax Distribution	$0	$0	$0	$0
Increase Distribution to RAMS	$0	$0	$0	$0
Increase Transfer to School Consolidation Account	$0	$0	$0	$0

Increase Taconite Municipal Aid to Breitung Twp	$0	$0	$0	$0
DJJ Use of Funds for School Bonds	$0	$0	$0	$0
IRRR Bonds Authorized 2024	$0	$0	$0	$0
IRRR Bonds Authorized 2025	$0	$0	$0	$0
Transfer to the City of Chisholm	$0	$0	$0	$0
Article 3: Tax Increment Financing				
Ramsey TIF	$0	$0	$0	$0
Maple Grove TIF	$0	$0	$0	$0
St. Paul TIF	$0	$0	$0	$0
Brooklyn Center TIF	$0	$0	$0	$0
Eden Prairie TIF	$0	$0	$0	$0
Minnetonka TIF	$0	$0	$0	$0
Moorhead TIF	$0	$0	$0	$0
Plymouth TIF	$0	$0	$0	$0
St. Cloud TIF	$0	$0	$0	$0
Article 4: Special Local Taxes				
Local Lodging Taxes Authority Clarified	$0	$0	$0	$0
Downtown Minneapolis Food & Beverage Rates	$0	$0	$0	$0
Article 5: Miscellaneous				
Land Value Taxation Districts Allowed	$0	$0	unknown	unknown
South St. Paul Grant	($100)	$0	$0	$0
General Fund Total	**($222)**	**$0**	**($1,530)**	**($1,570)**

Various Effective Dates

***Non-General Fund Impacts**

Taconite Property Tax Relief Account				
Taconite Homestead Credit Increase	$0	($3,520)	($7,050)	($7,050)
Range Association of Municipalities and Schools				
Increase Distribution to RAMS	$0	$48	$34	$35
Taconite Environmental Protection Fund				
Increase Distribution to RAMS	$0	($32)	($22)	($23)
Douglas J. Johnson Economic Protection Fund				
Increase Distribution to RAMS	$0	($16)	($12)	($12)
Increase Transfer to School Consolidation Account	$0	($2,750)	($3,000)	($3,000)
Taconite Municipal Aid Account				
Increase Taconite Municipal Aid to Breitung Twp	$0	$0	$0	$0
Iron Range School Consolidation Account				
Increase Transfer to School Consolidation Account	$0	$2,750	$3,000	$3,000
IRRR Bonds Authorized 2024	$0	$0	($3,900)	($3,900)
IRRR Bonds Authorized 2025	$0	$0	$0	($2,400)
Taconite Economic Development Fund				
Transfer to the City of Chisholm	$0	($300)	$0	$0

REVENUE ANALYSIS DETAIL

Article 1: Property Taxes and Local Government Aids

Grand Portage Band Exemption (Section 1)
The effective date is beginning with assessment year 2025.
The proposal would create a property tax exemption for property that:
1) was classified as class 2b for taxes payable in 2024;
2) is located in a county with a population greater than 5,580 but less than 5,620 (according to the 2020 federal census);
3) is located in an unorganized territory with a population less than 800 (according to the 2020 federal census); and
4) was on January 2, 2023, and is for the current assessment, owned by a federally recognized Indian Tribe located within the state of Minnesota.

- Property in Cook County owned by the Grand Portage Band of Chippewa would be eligible for the proposed exemption.
- Beginning with taxes payable in 2026, the eligible parcels would no longer receive the School Building Bond Credit, resulting in a savings to the state general fund of less than $5,000 in fiscal year 2027.
- Beginning with taxes payable in 2026, the exemption would shift property taxes away from the eligible parcels and onto all other properties, including homesteads, increasing homeowner property tax refunds by less than $5,000 in fiscal year 2027.

Leech Lake Band Exemption (Section 2)
The effective date is beginning with assessment year 2025.
The proposal would create a property tax exemption for property that:
1) was classified as class 3a for taxes payable in 2024;
2) is located in a city of the first class with a population greater than 400,000 (as of the 2020 federal census); and
3) was on January 1, 2023, and is for the current assessment, owned by a federally recognized Indian Tribe that is located within the state of Minnesota; and
4) is used exclusively for Tribal purposes or institutions of purely public charity.

Eligible property would be limited to one parcel that does not exceed 40,000 square feet. Property used for single-family housing, market-rate apartments, agriculture, or forestry would not qualify for the exemption.

- Property in Minneapolis owned by the Leech Lake Band of Ojibwe would be eligible for the proposed exemption.
- For taxes payable in 2026 and thereafter, the exemption from the commercial-industrial state general tax would have no impact on state revenues, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- Beginning with taxes payable in 2026, the exemption would shift property taxes away from the eligible parcel and onto all other properties, including homesteads, increasing homeowner property tax refunds by $10,000 in fiscal year 2027.

Homestead Resort Tiers Increased (Section 3)
The effective date is beginning with assessment year 2025.
Under current law, class 1c homestead resort property has three classification tiers.
The first tier includes the first $600,000 of value and has a classification rate of 0.50%, the second tier includes value over $600,000 and below $2.3 million and has a classification rate of 1.00%, and the third tier includes value over $2.3 million and has a classification rate of 1.25%. Only the third tier is subject to state general property taxes.

The proposal would increase the classification tier limits for class 1c homestead resorts.
The first tier would include the first $1.1 million of value, the second tier would include value between $1.1 million and $3.7 million, and the third tier would include value over $3.7 million. The classification rates for each tier would not change. The third tier would remain subject to state general property taxes.

- For taxes payable in 2024, about 2,000 parcels contain class 1c homestead resort property. The total statewide taxable market value for class 1c property is $780 million and the total net tax capacity is $6.1 million.
- Of the 2,000 parcels containing class 1c property, about 420 have a taxable market value greater than the current first tier limit of $600,000.
- Under current law, 47% of the total class 1c taxable market value statewide is in the first tier, 44% is in the second tier, and 9% is in the third tier.
- The proposal would shift class 1c market value from the higher tiers to the lower tiers. Under the proposal, approximately 67% of total class 1c taxable market value statewide would be in the first tier, 28% in the second tier, and 6% in the third tier.
- By increasing the classification tier limits for homestead resorts, the classification rate for a portion of the value currently above the first tier limit would change from the second tier rate of 1.00% to the first tier rate of 0.50%. Likewise, a portion of the value currently above the second tier limit would change from the third tier rate of 1.25% to the second tier rate of 1.00%. The total statewide net tax capacity for class 1c property would be reduced by approximately 13%.
- The proposal would cause a shift in property taxes away from properties newly qualifying for a lower tier classification rate and onto all other properties, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by $30,000 beginning in fiscal year 2027.

Land Bank Property Abatement (Sections 4-7)
The effective date is the day following final enactment.
The proposal defines a “land bank organization” as an organization that, at least in part, acquires, holds, or manages vacant, blighted, foreclosed, or tax-forfeited property for future development, redevelopment, or disposal. A “land bank organization” must also be either a nonprofit organization or a limited liability company that has a nonprofit organization as its sole member.

Under current law, an abatement of property taxes may be granted for the purpose of local economic development if the abatement meets one of eight criteria that clearly define the public benefit. Under the proposal, the public benefit criteria would be expanded to include:
(ix) provide for the development of affordable housing to households at or below 80 percent of area median income; or
(x) allow the property to be held by a land bank organization for future development.

Under the proposal, abatements granted on the basis of either (ix) or (x) above would be limited to a period of no more than five years. In addition, an abatement must be repaid with interest if the land for which the abatement was granted is used for a purpose other than the purpose given by the land bank organization prior to redevelopment.

- It is assumed that the only organization with eligible property is Land Bank Twin Cities.
- Under current law, all political subdivisions are required to add back to their current year levies the total estimated amount of all current year economic development abatements.
- Under the proposal, property taxes would shift from the parcels eligible for an abatement onto all other properties in those local jurisdictions, including homesteads.
- Because the levies set in one calendar year are collected as property taxes in the following calendar year, the property tax shift would occur in the year following the abatement.
- Based on data provided by Land Bank Twin Cities, approximately $0.5 million in property taxes are due in 2024 on property potentially eligible for an abatement under the proposal.
- It is assumed that approximately half of Land Bank Twin Cities parcels would receive an abatement for taxes payable in 2024.
- Under this assumption, $0.25 million in property taxes would shift onto other properties beginning with taxes payable in 2025, resulting in a cost to the general fund of $10,000 beginning in fiscal year 2026 due to increased homeowner property tax refunds.

LGA Township Aid Calculation Adjustment (Sections 8-9)
The effective date is beginning with aids payable in 2025.
Under current law, $10 million is appropriated annually from the general fund to be distributed to townships according to the product of: (1) each township's agricultural property factor, (2) its town area factor, (3) its population factor, and (4) a fixed constant of 0.0045.

Under the proposal, the Township Aid appropriation would be increased to $11.5 million, and the formula would be modified by replacing the fixed constant of 0.0045 as follows:

1) The "town aid factor" is defined as the product of: (1) each township's agricultural property factor, (2) its town area factor, and (3) its population factor.
2) The aid amount for each township is equal to its share of the statewide sum of all "town aid factors" multiplied by $11.5 million.

- Under current law, there is no requirement that the entire $10 million Township Aid appropriation be distributed if the formula yields a total of less than $10 million.
- $9.3 million of Township Aid will be distributed in 2024, and $9.0 million is estimated to be distributed in 2025 (according to the 2024 February Forecast).
- Under the proposal, the entire $11.5 million appropriation would be distributed in 2025, increasing total aid by $2.5 million (relative to the 2024 February Forecast).
- It is assumed that the increase in Township Aid would reduce property tax levies by a portion of the increase. Lower levies would decrease property taxes on all property.
- Lower levies would result in lower homeowner property tax refunds, reducing costs to the state general fund by an estimated $70,000 in fiscal years 2026 and 2027.
- Lower levies would result in lower income tax deductions, increasing revenues to the state general fund by an estimated $20,000 in fiscal years 2026 and 2027.

Red Lake Nation Tribal College Exemption (Section 10)
The effective date is the day following final enactment.
Under the proposal, property located in the city of Minneapolis and acquired by Red Lake Nation in either August 2021 or September 2021 would be exempt from property taxes payable in 2022, and from the portion of property taxes payable in 2021 due after the property was acquired.

The county auditor would certify to the commissioner of revenue the total payment amount for the property taxes attributable to the exemption, and the commissioner of revenue would make the payment to the county.

The amount needed to make the payment would be appropriated from the general fund to the commissioner of revenue in fiscal year 2024.

- Two parcels acquired by Red Lake Nation in 2021 to be used for Red Lake Nation College would be eligible for the retroactive exemption.
- As part of a private college, both parcels are currently exempt from property taxes.
- Approximately $122,000 in delinquent taxes are due on the eligible parcels for taxes payable in 2021 and 2022, including approximately $24,000 of state general tax.
- Under the proposal, the state general tax amount would not be collected, and the state would pay the remaining $98,000 to Hennepin County in fiscal year 2024.
- Approximately $40,000 in penalties and interest are currently due on the eligible parcels. Under the proposal, the state would not be responsible for paying the accumulated penalties and interest.

LGA Penalty Forgiveness – City of Stewart (Section 11)
The effective date is day following final enactment.
The bill would allow the city of Stewart in McLeod County to receive payment for the amount of its 2023 Local Government Aid (LGA) that was withheld for failing to meet financial reporting requirements with the state auditor. The city must file its 2022 financial reports by June 1, 2024. Up to $87,501.50 of the current LGA appropriation would be available for the payment to be made before the end of fiscal year 2024 by June 30, 2024.

- Under the proposal there would be no additional costs to the state general fund in fiscal year 2024 because the money for payment is already appropriated for LGA. Any unpaid LGA payment would not cancel to the state general fund until after June 30, 2024.

Article 2: Minerals Taxes

Maximum Increased for the Taconite Homestead Credit (Section 1)
The effective date is beginning with taxes payable in 2025.
Under current law, the taconite homestead credit reduces the property tax paid by owners of certain properties located on the Mesabi and Vermillion ranges located within the Taconite Tax Relief Area. The properties receiving this credit are owner-occupied homes and owner-occupied farms.

If an owner-occupied home or farm is located in a city or town that contained at least 40% of its valuation as iron ore on May 1, 1941, or which had a taconite mine, processing plant, or electric generating facility on January 1, 1977, or currently has a taconite mine, processing plant, or electric generating facility, the taconite credit is 66% of the tax, up to a maximum credit of $315.10.

If the property is not located in such a city or town but is located in a school district containing such a city or town, the taconite credit is 57% of the tax, up to a maximum credit of $289.80.

The taconite homestead credit is funded by the taconite property tax relief account, which is funded by taconite production taxes. If this fund is not sufficient to make these payments, the deficit is made up from the Douglas J. Johnson Economic Protection Fund.

The proposal would increase the maximum credit amount for both the 66% and 57% taconite homestead credits to $515.00.

The proposal would not impact the supplemental taconite homestead credit.

- Under current law, approximately 38,300 parcels received the taconite homestead credit in taxes payable 2023. Of those 38,300 parcels, approximately 35,100, or 92%, received the maximum credit amount of either $315.10 or $289.80.
- Under the proposal, all 35,100 parcels that are at the maximum credit under current law would receive a larger taconite homestead credit. Most of these parcels are expected to qualify for the proposed maximum credit of $515.00.
- The total taconite homestead credit amount would increase by $7.05 million beginning in taxes payable 2025.
- The taxes payable year amounts have been converted to fiscal years for the purpose of this estimate. Credit reimbursement payments for the taconite homestead credit are made over two fiscal years, with 50% paid in each year. The increased credit would cost $3.52 million in fiscal year 2025 and $7.05 million in fiscal year 2026 and beyond.
- The increased credit would be a cost to the taconite property tax relief fund. If the fund is unable to cover to cover the full cost of the credit, the deficit would automatically come from the Douglas J. Johnson Economic Protection Fund.
- Lower property taxes for homeowners receiving a larger credit would reduce property tax refunds, decreasing refunds paid by the state by $850,000 beginning in fiscal year 2026.
- Lower property taxes for homeowners receiving a larger credit would reduce deductions on individual income tax returns, increasing state tax collections by $40,000 beginning in fiscal year 2026.

Contents of Tax Statements Expanded for Iron Range Fiscal Disparities (Sections 2-3)
The effective date is beginning with notices for property taxes payable in 2025.
Under current law, there are requirements for what is included in the notice of proposed property taxes and property tax statement.

The proposal would add new content to the notice of proposed property taxes and property tax statement for properties subject to Iron Range fiscal disparities taxes. In addition to the current law requirements, the notice and statement would need to include a line showing the fiscal disparities adjustment. The fiscal disparities adjustment would equal the total gross taxes payable minus the sum of the tax amounts for the individual taxing jurisdictions.

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

Clarifying Distribution of Gross Proceeds Tax within the Taconite Assistance Area (Section 4)
The effective date is beginning with distributions in 2025.
The proposal clarifies that specific distributions of gross proceeds tax within the taconite assistance area only apply for mining operations occurring within the taconite assistance area.

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

Increase Distribution to Range Association of Municipalities and Schools (Section 5)
The effective date is beginning with the 2024 distribution.
Under current law, 0.3 cents per ton of taconite production is allocated to the range association of municipalities and schools.

The proposal would increase this amount to 0.4 cents starting in 2024.

- The changes to the local distribution of taconite production taxes would have no impact on the state general fund.
- The total distribution to the range association of municipalities and schools account would increase by $32,000 beginning in distribution year 2024.
- The distribution year amounts have been converted to fiscal years for the purpose of this estimate. Distributions are made over two fiscal years, with 50% paid in each year. The full 2024 distribution amount would be made in fiscal year 2025 as well as the first half of the 2025 distribution amount. The increased distribution would be $48,000 in fiscal year 2025, $34,000 in fiscal year 2026, and $35,000 in fiscal year 2027 and beyond.
- The increased distribution to the range association of municipalities and schools account would reduce distributions to the Taconite Environmental Protection Fund and Douglas J Johnson Economic Protection Fund.

Increase Transfer to School Consolidation Account (Section 6)
The effective date is beginning with distributions in 2024.
Under current law, the Douglas J. Johnson Economic Protection Trust Fund annually transfers $3.5 million to the Iron Range school consolidation and cooperatively operated school account.

The proposal would increase this amount to $6.25 million for distributions in 2024, $6.5 million for distributions in 2025-2029, $5.5 million for distributions in 2030-2034, and $5.0 million for distributions in 2035-2036. The transfer amount would return to $3.5 million for distribution year 2037 and thereafter.

- Transfers to the Iron Range school consolidation and cooperatively operated school account would increase $2.75 million in fiscal year 2025, $3.0 million for fiscal years 2025-2029, $2.0 million in fiscal years 2030-2034, and $1.5 million in fiscal years 2035-2036.
- These increases would be offset by equal amount reductions in the Douglas J. Johnson Economic Protection Trust Fund.

Increase Taconite Municipal Aid to Breitung Township (Section 7)
The effective date is beginning with the 2024 distribution.
Under current law, Breitung Township receives $15,000 in Taconite Municipal Aid.

The proposal would increase this amount to $25,000 starting in 2024.

- Starting in fiscal year 2025, Breitung Township would receive additional taconite municipal aid, shifting aid away from other municipalities receiving aid.
- The proposal would not impact the state general fund.

Use of Funds from the Douglas J. Johnson Economic Protection Trust Fund (Section 8)
The effective date is the day following final enactment.
The proposal would expand the use of funds from Douglas J. Johnson economic trust fund. Revenue from the DJJ would be allowed to fund reserve accounts established to secure payments for bonds repaid from the Iron Range school consolidation and cooperatively operated school account.

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

IRRR Bonds Authorized for 2024 and 2025 (Section 9-10)
The effective date is the day following final enactment.
The proposal would have Iron Range Resources and Rehabilitation issue revenue bonds of up to $49 million in 2024 and $30.5 million in 2025 to various government agencies and non-profits. The bonds would be repaid through appropriations from the iron range school consolidation account. If the iron range school consolidation account is unable to cover to cover the full cost of the bond repayments, the deficit would automatically come from the Douglas J. Johnson Economic Protection Fund.

- Starting in fiscal year 2025, the iron range school consolidation account would transfer an estimated $3.9 million to cover the cost of the bonds. This number would increase to $6.3 million in fiscal year 2026 and thereafter.
- The proposal would not impact on the state general fund.

Transfer to City of Chisholm (Section 11)
The effective date is the day following final enactment.
The proposal would transfer $300,000 from the taconite economic development fund to the city of Chisholm for a bridge. The money would be transferred in August 2024.

- The taconite economic development fund would decrease by $300,000 in fiscal year 2025.
- The proposal would not impact on the state general fund.

<u>Article 3: Tax Increment Financing</u>

Ramsey TIF (Section 1)
The effective date is following local approval.
Under current law, special rules apply for a redevelopment tax increment financing (TIF) district in the city of Ramsey relating to the Northstar Transit Station.

The proposal would add another special rule for the TIF district: it would exclude certain costs from the rules on interfund loans. The city's share of the costs for the construction of the Northstar Transit Station and related infrastructure, and the cost of public improvements installed within the TIF district after the establishment of the district would all be excluded from interfund loan rules.

- 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.

Maple Grove TIF (Section 2)
The effective date is following local approval.
Under current law, the city of Maple Grove was allowed to establish tax increment financing (TIF) districts within a defined project area that were subject to special rules as established by the legislature in 2014 and revised in 2017. The project area includes rights-of-way for all present and future highway interchanges abutting the project area.

The proposal would expand the definition of the project area to include rights-of-way for all present and future highway interchanges serving the project area. Some of the special rules that apply to these districts are also modified:

- The five-year rule for development activity to commence is extended from eight years to 13 years.
- The number of years increments from a soil deficiency district may be collected is extended from 20 years to 25 years.
- The area in which increments may be expended on activities outside the district, the area in which increments may be spent on infrastructure costs, and the area in which increments may be used to pay for land acquisition costs are all expanded from the project area to the entire city.
- Increments from a soil deficiency district are allowed to be used to pay for improvements to the Highway 169 and County Road 130 interchange.

- 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.

St. Paul TIF (Section 3)
The effective date is following local approval.
Under current law, special rules apply to the Ford Site Redevelopment Tax Increment Financing (TIF) District in the City of St. Paul, including being allowed to waive increments for up to four years and setting a different certification date if increments are waived.

The proposal would add another special rule for the Ford Site Redevelopment TIF District: it would extend the five-year rule for development activity to commence to ten years.

- 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.

Brooklyn Center TIF (Section 4)
The effective date is following local approval.
The proposal would allow the city of Brooklyn Center or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district, excluding it from rules on how increment may be spent in a redevelopment district, and allowing increment that is spent in a specified area to be deemed as activities within the district. The authority to establish a TIF district under this authority expires December 31, 2030.

- 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.

Eden Prairie TIF (Section 5)
The effective date is following local approval.
The proposal would allow the city of Eden Prairie or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply that would exclude it from requirements for establishing a redevelopment district and exclude it from rules on how increment may be spent in a redevelopment district. The authority to approve a TIF plan and establish a TIF district under this proposal expires December 31, 2025.

- 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.

Edina TIF (Sections 6-7)
The effective date is following local approval.
The proposal would extend the five-year rule for development activity to commence to ten years for two tax increment financing (TIF) districts in the city of Edina: 72nd & France 2 and 70th & France. The proposal would also allow the city of Edina or its housing and redevelopment authority to extend the duration of the 72nd & France 2 TIF District by five years and the 70th & France TIF District by ten years.

- 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.

Minnetonka TIF (Section 8)
The effective date is following local approval.
The proposal would provide special rules to the renewal and renovation tax increment financing (TIF) district established in 2021 by the city of Minnetonka and its Economic Development Authority. The special rules for the district would include:

- Excluding the district from rules on the share of increment that must be spent for blight correction,
- Providing a list of eligible expenditures within the district,
- Extending the five-year rule for development activity to commence to ten years, and
- Excluding the district from the six-year rule on when districts must be decertified.

- 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.

Moorhead TIF (Section 9)
The effective date is following local approval.
Under current law, the five-year rule essentially requires development activity for a TIF district to be finished within a five-year period after the certification of the district. After this period has expired, increments may only be spent to pay off obligations that were incurred during the five-year period or for permitted expenditures under pooling. The six-year rule requires districts to be decertified when sufficient increment has been received to pay for these obligations.

The proposal would extend the five-year rule to ten years and the six-year rule to eleven years for Tax Increment Financing (TIF) District No. 31 in the city of Moorhead.

- 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.

Plymouth TIF (Section 10)
The effective date is following local approval.
The proposal would allow the city of Plymouth to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district, excluding it from rules on how increment may be spent in a redevelopment district, extending the five-year rule for development activity to commence to eight years, allowing increment to be spent outside the district, and excluding it from rules on when the district must be decertified. The authority to establish a TIF district under this authority expires December 31, 2030.

- 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.

St. Cloud TIF (Section 11)
The effective date is following local approval.
The proposal would allow the city of St. Cloud or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district, allowing expenditures incurred to develop the property to count toward the share of increment that must be spent for blight correction, and allowing increment to be spent on reconstruction, expansion, or new construction of adjacent public infrastructure.

- 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 4: Special Local Taxes

Local Lodging Taxes Authority Clarification (Sections 1-2)
The effective date is July 1, 2024.
The proposal would clarify that local lodging taxes, whether imposed under general authorization, by city charter, or special law, are imposed on the entire consideration paid to obtain access to lodging. This includes ancillary and related services, including those provided by an accommodations intermediary. An accommodations intermediary is any person or entity that facilitates the sale of lodging and charges a room charge to a customer. This includes brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by the customer.

The proposal would also allow local governments administering their own lodging taxes to limit required filing and remittances by an accommodation's intermediary to once per calendar year.

- The proposal would have no impact on state taxes.

Downtown Minneapolis Food and Beverage Rates (Sections 3-4)
The effective date is for sales and purchases made after September 30, 2024.
Minneapolis currently imposes a sales tax of 3% on retail on-sales of liquor and fermented malt beverages. Minneapolis also imposes a sales tax of 3% on sales of food at restaurants and places of refreshment. Both taxes are imposed in the designated downtown taxing area.

The proposal would reduce the Minneapolis downtown liquor and restaurant rates to 2.5% from the current 3%. The proposal would also expand the downtown taxing area.

- The proposal would have no impact on state taxes.

Article 5: Miscellaneous

Land Value Taxation Districts Allowed (Sections 1-5)

The effective date is beginning with taxes payable 2025.

Under current law, property taxes are allocated based on the value of land and improvements of a parcel. Improvements may include things like structures and buildings. The proposal would allow cities to create land-value taxation districts in which property taxes would be reallocated using one or more of four methods, including two based solely on land values that would exclude improvements to the parcel.

- Under the proposal it is unknown how many land-value taxations districts would be created.
- The creation of land-value taxation districts may shift taxes away from some parcels and onto others within a district. Depending on the shifting, it is possible the property tax changes may increase or decrease state general fund costs for property tax refunds beginning in fiscal year 2026.

South St. Paul Grant (Section 6)

The effective date is the day following final enactment.

The proposal would provide a $100,000 grant to the city of South St. Paul in fiscal year 2024. The grant must be used to pay for planning and development costs within the city.

- The one-time appropriation would result in a cost to the state general fund of $100,000 in fiscal year 2024.

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

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