

**PROPERTY TAX
Omnibus Tax Bill
Articles 4-8, 10**

May 27, 2026

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

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of Laws 2026, Chapter 128, Articles 4-8, 10

Fund Impact			
F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
(000's)			

Article 4: Property Tax Aids and Credits

School Seasonal Tax Base Aid Created	\$0	(\$2,542)	(\$4,710)	(\$5,296)
Property Tax Refund Interaction	\$0	\$0	\$430	\$430
Income Tax Interaction	\$0	\$0	\$80	\$80
Tribal Property Medical Clinic Exemption Modified	\$0	\$0	\$0	(\$10)
Tribal Property Medical Clinic Storage Exemption	\$0	\$0 (negligible)	(negligible)	(negligible)
Homestead Resort Tier Limits Modified	\$0	\$0	(\$40)	(\$40)
Lake City Port Authority Modified	\$0	\$0	\$0	\$0
Local Homeless Prevention Aid Expiration Extended	\$0	\$0	\$0	\$0
One-Time Property Tax Refund Increase	\$0	(\$125,000)	\$0	\$0
LGA Base Year Aid Northern Township	\$0	\$0	\$0	\$0

Article 5: Minerals

Minerals Provisions	\$0	\$0	\$0	\$0
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Article 6: Tax Increment Financing

TIF Excess Increments	\$0	\$0	\$0	\$0
Mountain Lake TIF	\$0	\$0	\$0	\$0
Wayzata TIF	\$0	\$0	\$0	\$0
Eden Prairie TIF	\$0	\$0	\$0	\$0
Chaska TIF	\$0	\$0	\$0	\$0

Columbia Heights TIF	\$0	\$0	\$0	\$0
Hopkins TIF	\$0	\$0	\$0	\$0

Article 7: Public Finance

Local Government Debt Financing Modified	\$0	\$0	\$0	\$0
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Article 8: Miscellaneous

Tax-Forfeited Lands Settlement Cancellation	\$40,000	\$0	\$0	\$0
MHFA Appropriation	(\$38,000)	\$0	\$0	\$0

Article 10: Department of Revenue: Property Taxes

Repeal References to Expired Programs	\$0	\$0	\$0	\$0
General Fund Total	\$2,000	(\$127,542)	(\$4,240)	(\$4,836)

Various Effective Dates

REVENUE ANALYSIS DETAIL

Article 4: Property Tax Aids and Credits

School Seasonal Tax Base Replacement Aid Created (Sections 1-2, 12)

The effective date is beginning with taxes payable in 2027.

The new law creates a seasonal tax base replacement aid beginning in taxes payable 2027 for school districts. The aid amount is based on the ratio of the seasonal recreational property to the total referendum market value tax base of each school district. The additional state aid will reduce school referendum levies.

In addition to the ongoing aid, the new law also creates a one-time aid for fiscal year 2027. The one-time aid is calculated the same as the ongoing aid but is adjusted to equal \$2,542,000 total statewide.

- The one-time aid is a cost to the state general fund of \$2.542 million in fiscal year 2027.
- According to the Minnesota Department of Education, the ongoing seasonal tax base replacement aid is estimated to be \$5.23 million in taxes payable 2027 and \$5.30 million in taxes payable 2028. These numbers have been converted to fiscal years for the purposes of this estimate.
- School referendum levies will decrease by the amount of aid each year for the ongoing aid. This will decrease property taxes for all properties, including homesteads.
 - Lower property taxes will result in lower homeowner property tax refunds, reducing costs to the state general fund beginning in fiscal year 2028.
 - Lower property taxes will result in lower income tax deductions, increasing revenues to the state general fund beginning in fiscal year 2028.

Tribal Property Medical Clinic Exemption Modified (Section 3)

The effective date is beginning with assessment year 2027.

Under current law, property is exempt if it:

- 1) is located in a city of the first class with a population less than 100,000 (according to the 2010 federal census);
- 2) was on January 1, 2016, and is for the current assessment, owned by a federally recognized Indian tribe located within the state of Minnesota; and
- 3) is used exclusively as a medical clinic.

Property qualifying for the exemption is limited to no more than two contiguous parcels and structures that do not exceed a total of 30,000 square feet. The exemption expires with taxes payable in 2028.

Under the new law, the exemption:

- also includes parking lot property used exclusively to serve the medical clinic;
 - may include up to five parcels (that do not need to be contiguous); and
 - expires with taxes payable in 2038.
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- The Fond Du Lac Band of Chippewa's Center for American Indian Resources medical clinic in the city of Duluth is currently receiving this property tax exemption through taxes payable in 2027.
 - Under the new law, the clinic will continue receiving the exemption through taxes payable in 2037.
 - Beginning with taxes payable in 2028, the exemption will shift approximately \$110,000 in property taxes away from the eligible parcels and onto all other properties, including homesteads, increasing state-paid homeowner property tax refunds by \$10,000 in FY 2029.
 - The exemption from the state general tax will have no impact on state revenues in payable years 2028 through 2037 because the tax rate will be adjusted to yield the amount of revenue required by statute.

Tribal Property Medical Clinic Storage Exemption (Section 4)

The effective date is beginning with property taxes payable in 2027.

The new law creates a property tax exemption for property that:

- 1) is located in a city with a population greater than 12,400 but less than 12,800 (according to the 2020 federal census);
- 2) was on January 1, 2026, and is for the current assessment, owned by a federally recognized Indian Tribe located within the state of Minnesota; and
- 3) is used to store medical clinic equipment and materials.

Property that qualifies for the exemption is limited to one parcel, and any portion of the property used for housing, parking facilities, agriculture, or forestry does not qualify for the exemption.

- Property in Carlton County owned by the Fond du Lac Band of Chippewa will be eligible for the new exemption.
- Beginning with taxes payable in 2027, the exemption will shift approximately \$20,000 in property taxes away from the eligible property and onto all other properties, including homesteads, increasing state-paid homeowner property tax refunds by less than \$5,000 in FY 2028.

- For taxes payable in 2027 and thereafter, the exemption from the state general tax will have no impact on state revenues, because the tax rate will be adjusted to yield the amount of revenue required by statute.

Homestead Resort Tier Limits Modified (Section 5)

The effective date is beginning with assessment year 2026.

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 new law increases the classification tier limits for class 1c homestead resorts.

The first tier includes the first \$1.5 million of value, the second tier includes value between \$1.5 million and \$4.5 million, and the third tier includes value over \$4.5 million. The classification rates for each tier do not change. The third tier will remain subject to state general property taxes.

- For taxes payable in 2026, about 1,900 parcels contain class 1c homestead resort property. The total statewide taxable market value for class 1c property is \$843 million and the total net tax capacity is \$6.9 million.
- Of the 1,900 parcels containing class 1c property, about 450 have a taxable market value greater than the current first tier limit of \$600,000.
- Under current law, 43% of the total class 1c taxable market value statewide is in the first tier, 45% is in the second tier, and 12% is in the third tier.
- The new law will shift class 1c market value from the higher tiers to the lower tiers. Under the new law, approximately 71% of total class 1c taxable market value statewide will be in the first tier, 22% in the second tier, and 7% 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 will 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 will 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 will be reduced by approximately 18%.
- The new law causes a total estimated shift of \$890,000 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 will increase by \$40,000 beginning in fiscal year 2028.

Lake City Port Authority Modified (Sections 6-8, 10)

The effective date is the day following final enactment.

Local Public Utilities Commission Members

Under current law, if a petition is filed and signed by enough eligible voters to equal at least 15 percent of the number of electors voting at the most recent general election, then an ordinance that reduces the number of commission members on a local public utilities commission must be placed on the ballot at the next general election.

Under the new law, the same conditions will apply to an ordinance that increases the number of commission members.

Lake City Port Authority

Under current law, the city of Lake City may establish a port authority commission if approved by the city and if the city files its approval with the secretary of state by the first day of the next regular session of the legislature.

Under the new law, a port authority commission established by the city of Lake City will not have the power to levy taxes, issue debt or bonds of any kind, or exercise powers of eminent domain, but the port authority will be allowed to request the city of Lake City to levy a tax for the benefit of the port authority, which the city can either grant or deny. The new law also extends the time for the city of Lake City to file its approval with the secretary of state until January 1, 2027.

Red Wing Port Authority

Under the new law, the term length for an appointee to the Red Wing Port Authority is increased from three years to six years, effective following local approval.

- It is assumed the new law will have no direct impact on the state general fund.

Local Homeless Prevention Aid Expiration Extended (Section 9)

The effective date is July 1, 2026.

Current law provides that local homeless prevention aid expires after aids payable in 2028.

The new law extends the program's expiration by four years, to after aids payable in 2032. The annual funding level for the program is \$20 million.

- Extending the aid's expiration date has no direct impact on the state general fund during the forecast period, but will increase costs beginning in fiscal year 2030 and continuing for four years.

One-Time Increase in Property Tax Refunds (Section 11)

The effective date is for refunds based on property taxes payable in 2026 only.

The new law provides a one-time 14.88% increase to homeowner property tax refunds. This increase will be applied to the homestead credit refund based on property taxes payable in 2026. Because it is calculated separately from the standard refund, homeowners can receive a total refund that exceeds the usual maximum limits.

- The refund increase is estimated to increase state general fund costs by \$125 million in fiscal year 2027.
- Approximately 588,000 homeowners will receive an average refund increase of \$213.

LGA Base Year Aid Northern Township (Section 13)

The effective date is for aids payable in 2027 only.

Under current law, the starting point for calculating a city's local government aid (LGA) is the city's previous year certified aid.

The new law sets previous year aid for Northern Township equal to \$109.35 per capita for purposes of calculating payable year 2027 LGA, provided the township incorporates as a city by January 31, 2027.

- Northern Township in Beltrami County intends to establish as a city later this year.
- Under current law, it would first become eligible for LGA certified in the summer of 2027 for aid payable year 2028 and estimated to receive approximately \$8,000.
- Under the new law, Northern is estimated to receive approximately \$425,000 beginning in payable year 2027, an additional \$417,000.
- There is no state cost associated with this change in formula distribution because total aid is set to a fixed appropriation level. The formula change shifts aid to Northern and away from other cities receiving local government aid.

Article 5: Minerals

Minerals (Sections 1-13)

The effective date is for distributions in the year after the year in which Mesabi Metallics begins production.

The new law modifies how taconite production tax revenue from Mesabi Metallics is contributed and distributed once the company begins production.

- Create guaranteed minimum distributions to certain school districts and cities for the first two years of Mesabi Metallics production.
- Adjust Mesabi Metallics per ton contributions (based on 2023 production) as follows:
 - o Taconite Cities and Towns Fund: from 4.5 cents per ton to 1.0 cent per ton.
 - o Mining Effects Fund: from 4.0 cents per ton to 1.0 cent per ton.
 - o Taconite Municipal Aid Account: from 12.5 cents per ton to 2.0 cents per ton.
 - o Taconite School Fund: from 3.43 cents per ton to 4.57 cents per ton, plus \$100,000 each to the Ely and Chisholm school districts.
 - o School Building Maintenance Fund: from 4.0 cents per ton to 8.0 cents per ton, plus an additional \$300,000.
- Modify distributions from the School Building Maintenance Fund to include 8.0 cents per ton and \$150,000 each to the Grand Rapids and Ely school districts.
- Increase distributions by 4.0 cents per ton to school districts receiving revenue from the School Building Maintenance Fund due to Mesabi Metallics production.
- Allocate 20 cents per ton produced by Mesabi Metallics to the Iron Range Schools and Community Development Account through 2050.
- Exempt Mesabi Metallics from contributing 0.5 cents per ton to the Range Association of Municipalities and Schools (RAMS) and 25.1 centers per ton to the Taconite Economic Development Fund.
- Prohibit Mesabi Metallics from receiving distributions from the Taconite Economic Development Fund.

- Excludes production by MagIron at Plant 4 in Arbo Township and production by Mesabi Metallics from the total industry production calculation used to determine whether distributions to the Taconite Economic Development Fund will be made.
- Proportionately reduce certain distribution amounts if tax revenue from Mesabi Metallics is insufficient to cover all the distributions.

The new law makes the following additional changes to taconite production tax distributions:

- Make unorganized townships eligible for distributions from the Mining Effects Fund.
 - Increases the maximum Township Fund distribution from \$50,000 to \$70,000.
 - Allow Iron Range Schools and Community Development Account distributions to be used for community development purposes.
 - Increase the share of Taconite Railroad Aid Account distributions going to school districts from 62% to 75% of the 1977 distribution amount.
 - Create annual distributions from the Taconite Municipal Aid Account of \$25,000 each for the cities of Orr and Winton, and \$75,000 each for the cities of Cook and Two Harbors.
 - Clarifies that contributions to the Taconite Environmental Protection Fund are calculated based on taxable tons.
- The modifications to mineral tax provisions will have no direct impact on the state general fund.
 - Changes to distributions and allocations will shift production tax revenues among various taconite-related funds.

Article 6: Tax Increment Financing

Requirements for Use of Excess Increments Modified (Section 1)

The effective date is for excess increment determinations beginning in calendar year 2026.

Under current law, excess increments in a tax increment financing (TIF) district must be spent or returned within nine months of a December 31 excess increment determination. Excess increments may only be used to prepay any outstanding bonds, discharge the pledge of tax increment for any outstanding debt, pay into an escrow account for the payment of outstanding bonds, or return to the local jurisdictions in which the TIF district is located.

The new law modifies the requirements for the use of excess tax increments. If there are excess increments in a TIF district within nine months of the December 31 excess increment determination, the authority must return the excess increment to the county auditor and decertify the district, if there are no outstanding qualifying debt obligations. Once excess increments are returned to the county auditor, they must be distributed to the local jurisdictions in which the TIF district is located. The district can defer decertification if they modify the TIF plan and modify the costs authorized to be paid with increments. The new law also modifies the definition of excess increments.

- The changes to the general TIF provisions have no impact on the state general fund.

Mountain Lake TIF (Section 2)

The effective date is following local approval.

Under 2021 session law, the five-year rule was extended to ten years and the six-year rule was extended to 11 years for Tax Increment Financing (TIF) District 1-8 in the city of Mountain Lake.

The new law extends the five-year rule and the six-year rule by an additional three years for a cumulative eight-year extension for both rules.

- 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.

Wayzata TIF (Section 3)

The effective date is following local approval.

Under current law, special rules apply for the use of increments generated from Tax Increment Financing (TIF) District No. 6 in the city of Wayzata.

The new law expands the special rules to allow increments to be used for:

- 1) Design and construction of the Eco Park,
- 2) Restoration of the Section Foreman House, and
- 3) Expansion and remodeling of the Depot Park.

- 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.

Eden Prairie TIF (Section 4)

The effective date is following local approval.

Under 2025 session law, the city of Eden Prairie or its economic development authority are allowed to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority have special rules that apply that exclude them from requirements for establishing a redevelopment district and exclude them from certain rules on the use of increment. The authority to approve a TIF plan and establish a TIF district under this law expires December 31, 2026.

The new law extends the authority to approve a TIF plan and establish a TIF district under this law through December 31, 2028.

- 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.

Chaska TIF (Section 5)

The effective date is following local approval.

The new law allows the Chaska Economic Development Authority to collect tax increment from Chaska Tax Increment Financing (TIF) District No. 23 for up to 35 years after the receipt of the first increment.

- 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.

Columbia Heights TIF (Section 6)

The effective date is following local approval.

Under current law, the five-year rule essentially requires development activity for a tax increment financing (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 new law extends the five-year rule to ten years and the six-year rule to eleven years for the Alatus TIF District in the city of Columbia Heights. The new law also allows the city of Columbia Heights or its economic development authority to extend the duration of the district by five years.

- 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.

Hopkins TIF (Section 7)

The effective date is following local approval.

Under current law, the five-year rule essentially requires development activity for a tax increment financing (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 new law extends the five-year rule to ten years and the six-year rule to 11 years for TIF District 1-6 in the city of Hopkins.

- 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 7: Public Finance

Local Government Debt Financing Modified (Sections 1-2)

The effective date is July 1, 2026.

The new law makes modifications to local government debt financing. It shortens the length of public notices when issuing certain bonds and remove the requirement that bonds issued by a port authority must mature serially.

- It is assumed the new law will have no direct impact on the state general fund.

Article 8: Miscellaneous

Tax-Forfeited Lands Settlement Cancellation (Section 15)

The effective date is the day following final enactment.

In fiscal year 2024, \$109 million was appropriated from the general fund to the Department of Management and Budget (MMB) to make payments to the claims administrator to settle litigation related to the state's retention of tax-forfeited lands, surplus proceeds from the sale of tax-forfeited lands, and mineral rights in those lands.

Under current law (Laws 2024, chapter 113, section 1, subdivision 5), the claims administrator must return any money that remains unspent on June 30, 2026.

Under the new law, notwithstanding the deadline established in current law, the claims administrator must return to MMB either \$40 million or the amount of unspent funds, whichever is less, on June 29, 2026, and MMB must cancel the amount received to the general fund within one day of receipt of the funds.

- It is assumed the full \$40 million will be canceled to the general fund in fiscal year 2026.

MHFA Appropriation (Sections 16-17)

The effective date is the day following final enactment.

The new law appropriates \$38 million in fiscal year 2026 from the general fund to the Minnesota Housing Finance Agency (MHFA) for the family homeless prevention and assistance program under Minnesota Statutes, section 462A.204. The funds must be spent by December 31, 2026, but MHFA may, at its discretion, redistribute unused or underutilized money among grantees to increase program efficiency and effectiveness.

The new law supersedes and repeals the appropriation to MHFA created by Laws 2026, chapter 100, article 1, section 3, that would have been effective for fiscal year 2027.

- The new law results in a cost of \$38 million to the state general fund in fiscal year 2026.

Article 10: Department of Revenue: Property Taxes

Repeal References to Expired Programs (Sections 1-3)

The effective date is the day following final enactment.

The new law removes references to expired property tax programs from statute.

- It is assumed that the new law will have no direct impact on the state general fund.

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