

**PROPERTY TAX
Senate Omnibus Tax Bill
Articles 3, 6-8, 10-11, 13**

May 7, 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 S.F. 5052 (Rest) 1st Engrossment

| Fund Impact | | | |
|--------------------|------------------|------------------|------------------|
| F.Y. 2026 | F.Y. 2027 | F.Y. 2028 | F.Y. 2029 |
| <i>(000's)</i> | | | |

Article 3: Property Taxes

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|---|-----|-----|--------------|--------------|
| Airport Property Exemption | \$0 | \$0 | (\$30) | (\$30) |
| Leased Conservation Land Exemption | \$0 | \$0 | (negligible) | (negligible) |
| Tribal Property Medical Clinic Exemption Modified | \$0 | \$0 | \$0 | (\$10) |
| Electric Generation Facility Exemption | \$0 | \$0 | \$0 | \$0 |
| Tribal Property Medical Clinic Storage Exemption | \$0 | \$0 | (negligible) | (negligible) |
| Ag Homestead Qualifying Relatives Expanded | | | | |
| Property Tax Refund Interaction | \$0 | \$0 | \$0 | (unknown) |
| Ag Market Value Credit Interaction | \$0 | \$0 | \$0 | (unknown) |
| Estate Tax Interaction | \$0 | \$0 | \$0 | (unknown) |
| Special Ag Homestead Location Requirements Modified | | | | |
| Property Tax Refund Interaction | \$0 | \$0 | \$0 | (unknown) |
| Ag Market Value Credit Interaction | \$0 | \$0 | \$0 | (unknown) |
| Estate Tax Interaction | \$0 | \$0 | \$0 | (unknown) |
| Homestead Resort Tier Limits Modified | \$0 | \$0 | \$0 | (\$40) |
| Class 2c Eligibility Modified | \$0 | \$0 | \$0 | (unknown) |
| Ag Classification for Farm Wineries | | | | |
| Property Tax Refund Interaction | \$0 | \$0 | \$0 | (negligible) |
| Ag Market Value Credit Interaction | \$0 | \$0 | \$0 | (negligible) |
| School Bond Credit Interaction | \$0 | \$0 | \$0 | (negligible) |
| Exclusion for Veterans with a Disability Modified | | | | |
| PTR Interaction - Veterans Homesteads | \$0 | \$0 | \$1,160 | \$1,210 |
| PTR Interaction - Other Homesteads | \$0 | \$0 | (\$460) | (\$480) |
| Border City Zone Modifications | \$0 | \$0 | \$0 | \$0 |

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| One-Time PTR Increase | \$0 | (\$100,800) | \$0 | \$0 |
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Article 6: Local Government Aids

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|--------------------------------------|-----|-----|-----------|-----------|
| School Seasonal Tax Base Aid Created | \$0 | \$0 | (\$4,710) | (\$5,296) |
| Property Tax Refund Interaction | \$0 | \$0 | \$430 | \$430 |
| Income Tax Interaction | \$0 | \$0 | \$80 | \$80 |

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| LGA Sparsity Adjustment | \$0 | \$0 | \$0 | \$0 |
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| SWCD Aid Increased | \$0 | (\$2,000) | (\$2,000) | (\$2,000) |
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| Local Affordable Housing Aid Modifications | \$0 | \$0 | \$0 | \$0 |
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| Statewide Local Housing Aid Modifications | \$0 | \$0 | \$0 | \$0 |
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| Federal Enforcement Reimbursement Aid | \$0 | (\$2,000) | \$0 | \$0 |
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|---|-----|-----|---------|-----|
| Fillmore County Disparity Reduction Aid | \$0 | \$0 | (\$467) | \$0 |
| Property Tax Refund Interaction | \$0 | \$0 | \$30 | \$0 |
| Income Tax Interaction | \$0 | \$0 | \$10 | \$0 |

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|---|-----|-----|-----|-----|
| Local Homeless Prevention Aid Expiration Repealed | \$0 | \$0 | \$0 | \$0 |
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Article 7: Tax Increment Financing

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| TIF Excess Increments | \$0 | \$0 | \$0 | \$0 |
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|-------------------|-----|-----|-----|-----|
| Mountain Lake TIF | \$0 | \$0 | \$0 | \$0 |
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| Wayzata TIF | \$0 | \$0 | \$0 | \$0 |
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| Eden Prairie TIF | \$0 | \$0 | \$0 | \$0 |
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| Chaska TIF | \$0 | \$0 | \$0 | \$0 |
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| Columbia Heights TIF | \$0 | \$0 | \$0 | \$0 |
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| Hopkins TIF | \$0 | \$0 | \$0 | \$0 |
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Article 8: Public Finance

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| Local Government Debt Financing Modified | \$0 | \$0 | \$0 | \$0 |
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Article 10: Minerals

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| Minerals | \$0 | \$0 | \$0 | \$0 |
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Article 11: Miscellaneous

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| South St. Paul Grant | (\$250) | \$0 | \$0 | \$0 |
|----------------------|---------|-----|-----|-----|

Article 13: Department of Revenue: Property Taxes

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|---------------------------------------|-----|-----|-----|-----|
| Repeal References to Expired Programs | \$0 | \$0 | \$0 | \$0 |
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|---------------------------|----------------|--------------------|------------------|------------------|
| General Fund Total | (\$250) | (\$104,800) | (\$5,957) | (\$6,136) |
|---------------------------|----------------|--------------------|------------------|------------------|

Various Effective Dates

REVENUE ANALYSIS DETAIL

Article 3: Property Taxes

Airport Property Exemption (Section 1)

The effective date is beginning with taxes payable in 2027.

Under current law, if airport property owned by a unit of local government is leased to or used by any person or entity in connection with a business conducted for profit, then the property is taxed as if the lessee or user was the owner of the property. However, the property is exempt from property taxes if:

- 1) it is not owned or operated by the Metropolitan Airports Commission, nor by a city of over 50,000 in population or such a city's airport authority; and
- 2) it is used as a hangar for the storage or repair of aircraft; or used to provide aviation goods, services, or facilities to the airport or general public; or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area.

Under the proposal, the same conditions for exemption would also apply to an airport hangar used for the manufacture of aircraft.

In addition, the proposal would reduce by 50% the net tax capacity of airport property leased to or used by any person or entity if the property is:

- 1) owned or operated by a city of over 50,000 but under 150,000 in population or such a city's airport authority;
- 2) not owned or operated by the Metropolitan Airports Commission; and
- 3) used as a hangar for the storage, repair, or manufacture of aircraft; or used to provide aviation goods, services, or facilities to the airport or general public; or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area.

The 50% reduction in net tax capacity would be applied to taxes payable in 2027 through 2038.

- The proposal would reduce the net tax capacity of the Cirrus manufacturing hangar located at the Duluth International Airport as well as other airport property in the cities of Duluth, Rochester, and St. Cloud.

- This would reduce the commercial-industrial state general tax on eligible properties. However, the reduction in state general tax would have no impact on state revenues in payable years 2027 through 2038, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- Beginning with taxes payable in 2027, an estimated \$580,000 in local property taxes would shift onto other properties, including homesteads, increasing state-paid homeowner property tax refunds by \$30,000 in fiscal year 2028.
- Over the twelve-year period from taxes payable in 2027 through 2038, the total reduction in local property taxes on the eligible properties is estimated to be approximately \$8.2 million.

Leased Conservation Land Exemption (Section 1)

The effective date is taxes payable in 2027.

Under current law, when property that is exempt from property taxes is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, then property taxes are imposed to the same extent as though the lessee or user was the owner of the property, with some exceptions.

Under the proposal, exempt property that is leased, loaned, or otherwise made available to a private individual, corporation, or association would remain exempt from property taxes if:

- 1) the property is owned by a nonprofit conservation organization; and
 - 2) the private individual, corporation, or association is using the property for grazing activities that further the nonprofit conservation organization's conservation objectives.
- Property owned by The Nature Conservancy would be eligible for the proposed exemption.
 - Beginning with taxes payable in 2027, the exemption would shift property taxes away from the exempted conservation land and onto all other properties, including homesteads, increasing homeowner property tax refunds by less than \$5,000 in FY 2028.

Tribal Property Medical Clinic Exemption Modified (Section 2)

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 proposal, the exemption would be:

- modified to include parking lot property used exclusively to serve the medical clinic;
- expanded to include up to five parcels (that do not need to be contiguous); and
- extended by ten years, expiring with taxes payable in 2038.

- 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 proposal, the clinic would continue receiving the exemption through taxes payable in 2037.
- Beginning with taxes payable in 2028, the exemption would 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 would have no impact on state revenues in payable years 2028 through 2037 because the tax rate would be adjusted to yield the amount of revenue required by statute.

Electric Generation Facility Exemption (Section 3)

The effective date is beginning with taxes payable in 2029.

The proposal would exempt the attached machinery and other personal property of an electric generation facility that is located outside the metropolitan area, has more than 40 megawatts and less than 50 megawatts of installed capacity, and is designed to use natural gas as a primary fuel. The facility must be owned and operated by a municipal power agency and be located within 1,000 feet of an existing natural gas pipeline. Construction of the facility must have commenced after January 1, 2026, and before January 1, 2030. Electric transmission lines, gas pipelines, and interconnections are not eligible for the exemption.

- Once constructed, the electric generation machinery at the Steele Energy Station in Owatonna and the Austin Energy Station in Austin (both owned by the Southern Minnesota Municipal Power Agency) would be eligible for the exemption.
- Land and buildings at the facilities would still be subject to property taxes.
- Beginning with taxes payable in 2029, the exemption would shift property taxes away from the electric generation facilities and onto all other properties, including homesteads.
- Due to different completion dates for the two facilities, the tax shift for taxes payable in 2029 is estimated to be approximately \$800,000, increasing to about \$1.5 million by taxes payable year 2031 as both facilities come into service.
- This would increase homeowner property tax refunds by \$50,000 in fiscal year 2030, increasing up to \$90,000 by fiscal year 2032.

Tribal Property Medical Clinic Storage Exemption (Section 4)

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

The proposal would create 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 would be limited to one parcel, and any portion of the property used for housing, parking facilities, agriculture, or forestry would not qualify for the exemption.

- Property in Carlton County owned by the Fond du Lac Band of Chippewa would be eligible for the proposed exemption.
- Beginning with taxes payable in 2027, the exemption would 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 would have no impact on state revenues, because the tax rate would be adjusted to yield the amount of revenue required by statute.

Agricultural Homestead Qualifying Relatives Expanded (Section 5)

The effective date is beginning with assessment year 2027.

Under current law, agricultural relative homestead may be granted if a grandchild, child, sibling, or parent of the owner was occupying or farming the property.

The proposal expands qualifying relatives for agricultural relative homestead to include grandparents, stepparents, stepchildren, uncles, aunts, nephews, and nieces.

- By expanding the list of qualifying relatives, it is assumed that the number of properties qualifying as agricultural relative homestead would increase statewide. The classification rate for all properties changing from agricultural non-homestead land to agricultural relative homestead land would change from 1.00% to 0.50% for the tier of value (\$3.84 million for assessment year 2026) and 1.00% for the remaining value.
- The proposal would cause a shift in property taxes away from properties newly qualifying for agricultural relative homestead and onto all other properties, including other homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by an unknown amount beginning in fiscal year 2029.
- The proposal would also increase the market value eligible for the agricultural homestead market value credit, increasing the credit by an unknown amount beginning in taxes payable 2028.
- Adequate data is not available to estimate the impact of the proposal on estate taxes. Since the additional property that would be available for the farm subtraction is assumed to be a small share of the total currently available, the impact on estate tax revenue would be small. However, it is likely that the impact could be significant for a small number of taxpayers.

Special Agricultural Homestead Location Requirements Modified (Section 5)

The effective date is beginning with assessment year 2027.

Under current law, both the owner and the person actively farming an agricultural property must live within four cities or townships of the property to qualify for special agricultural homestead classification.

The proposal would expand these location requirements. Both the owner and the person actively farming would be required to live within the county where the property is located or an adjacent county to qualify for special agricultural homestead.

- By expanding the location requirements for special agricultural homestead, it is assumed that the number of properties qualifying as agricultural homestead would increase statewide. The classification rate for all properties changing from agricultural non-homestead land to agricultural homestead land would change from 1.00% to 0.50% for the tier of value (\$3.84 million for assessment year 2026) and 1.00% for the remaining value.
- The proposal would cause a shift in property taxes away from properties newly qualifying for agricultural homestead and onto all other properties, including other homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by an unknown amount beginning in fiscal year 2029.
- The proposal would also increase the market value eligible for the agricultural homestead market value credit, increasing the credit by an unknown amount beginning in taxes payable 2028.
- Adequate data is not available to estimate the impact of the proposal on estate taxes. Since the additional property that would be available for the farm subtraction is assumed to be a small share of the total currently available, the impact on estate tax revenue would be small. However, it is likely that the impact could be significant for a small number of taxpayers.

Homestead Resort Tier Limits Modified (Section 6)

The effective date is beginning with assessment year 2027.

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 \$1.5 million of value, the second tier would include value between \$1.5 million and \$4.5 million, and the third tier would include value over \$4.5 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 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 proposal would shift class 1c market value from the higher tiers to the lower tiers. Under the proposal, approximately 71% of total class 1c taxable market value statewide would 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 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 18%.

- The proposal would cause 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 would increase by \$40,000 beginning in fiscal year 2029.

Class 2c Eligibility Modified (Section 7)

The effective date is beginning with assessment year 2027.

To be eligible for class 2c managed forest land classification under current law, a property must be no less than 20 and no more than 1,920 acres statewide per taxpayer, be managed under a forest management plan that meets all the requirements of M.S. Chapter 290C, and not be enrolled in the sustainable forest resource management incentive program.

The proposal would remove the requirement that a property's forest management plan meet all requirements of M.S. Chapter 290C to qualify for 2c classification. Instead, the forest management plan would only need to meet the definition under M.S. 290C.02, subd. 7 and be written by an approved plan writer as defined M.S. 290C.02, subd. 2. The proposal would allow land wholly or partially subject to a conservation easement to qualify for 2c classification.

- Under current law, one of the requirements of forest management plans under M.S. Chapter 290C is that a property meet the definition of "forest land" to qualify for 2c classification. This definition states that, among other things, forest land does not include certain land enrolled in state and federal easement programs.
- The proposal would allow land enrolled in easement programs to be eligible for 2c classification. The amount of land that would become class 2c under the proposal is unknown.
- The classification rate for class 2c is one of the lowest at 0.65%. Properties changing from other property types to class 2c under the proposal would likely receive a lower classification rate than under current law.
- The proposal would cause a shift in property taxes away from properties newly qualifying for class 2c managed forest land 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 an unknown amount beginning in fiscal year 2029.

Farm Wineries Classified as Agricultural (Section 7)

The effective date is beginning with assessment year 2027.

The proposal expands the definition of agricultural products for property tax classification purposes to include wine produced by a farm winery licensed under section 340A.315. It would also allow contiguous acreage that contains a farm winery property to be eligible for agricultural classification.

- According to the Department of Public Safety, there are currently 93 licensed farm wineries in Minnesota.

- Under current law, property used for wine fermentation and storage is classified as commercial-industrial property, with a class rate of 1.50% or 2.00%. This property is subject to the state general tax. Fermentation tanks are exempt from property taxes. Land used to grow grapes for wine production and structures involved with harvesting and storing grapes are classified as agricultural.
- Under the proposal, the property, other than tanks, used for wine fermentation and storage would be classified as agricultural. This property is usually a small portion of the property currently classified as commercial for a winery.
 - If the property is classified as agricultural homestead under the proposal, the class rate would be 0.50% for the first \$3.84 million in value and 1.00% for the remaining value.
 - If the property is classified as agricultural nonhomestead under the proposal, the class rate would be 1.00%.
- The proposal would shift property taxes away from farm winery property changing to agricultural classification and onto all other property, including homesteads. State general taxes would also shift away from property newly receiving agricultural classification and onto all other commercial-industrial property.
- As a result of shifting taxes onto homesteads, property tax refunds paid by the state would increase by less than \$5,000 beginning in fiscal year 2029.
- Properties newly classified as agricultural homestead would be eligible for the agricultural homestead market value credit, increasing the credit by less than \$5,000 beginning in fiscal year 2029.
- Properties newly classified as agricultural homestead or non-homestead would also be eligible for the school building bond credit, increasing the credit by less than \$5,000 beginning in fiscal year 2029.

Exclusion for Veterans with a Disability Modified (Section 8)

The effective date is beginning with assessment year 2026.

The proposal would increase the maximum market value exclusion for homesteads of a veteran with a disability:

- from \$150,000 to \$175,000 for a veteran with a 70% or greater disability, and
 - from \$300,000 to \$350,000 for a veteran with a total (100%) and permanent disability.
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- In assessment year 2025, approximately 29,000 homesteads received the exclusion.
 - In assessment year 2026, approximately 21,500 homesteads would receive a larger exclusion under the proposal.
 - The proposal would result in a net savings to the state of \$700,000 in fiscal year 2028 due to a reduction in state-paid homeowner property tax refunds (PTR) to qualifying homesteads.
 - For taxes payable in 2027, the proposal would reduce PTR to eligible veterans' homesteads by an estimated \$1.16 million, resulting in a savings to the state general fund.
 - At the same time, the proposal would shift an estimated \$7.8 million in property taxes onto other properties, including other homesteads, increasing PTR by \$460,000. The overall savings to the state general fund is net of this cost.

Border City Zone Modifications (Sections 9-12)

The effective date is the day following final enactment.

Under current law, funds are allocated 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 are apportioned among the cities of Dilworth, East Grand Forks, Moorhead, Ortonville, and Breckenridge by population.

The bill would make the following changes to the program:

- remove the acreage limits of areas in which tax reductions may be provided.
 - increase the maximum income tax credit for additional workers employed in the zone from \$3,000 to \$5,000 per employee per year.
 - allow tax reductions to be granted to recreation and entertainment facilities as well as to retail food or beverage service businesses operating under a franchise agreement that requires the business to be located in the state.
 - allow funds to be used for reimbursement of land acquisition costs for business expansion within the zone if the municipality determines that expansion was necessary to prevent relocation outside the state.
 - remove the acreage limits for development zones in the cities of Dilworth, Moorhead, and Ortonville, allowing these cities to designate all or any part of the city as a development zone (as is already the case for Breckenridge and East Grand Forks).
- The proposed changes to border city enterprise zones would have no direct impact on the state general fund.

One-Time Increase in Property Tax Refunds (Section 13)

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

The proposal would provide a one-time 12% increase to homeowner property tax refunds. This increase would be applied to the homestead credit refund based on property taxes payable in 2026. Because the increase is calculated separately from the standard refund, homeowners can receive a total refund that exceeds the usual maximum refund limits.

- The proposed refund increase is estimated to increase state general fund costs by \$100.8 million in fiscal year 2027.
- Approximately 588,000 homeowners would receive an average refund increase of \$171.

Article 6: Local Government Aids

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

The effective date is beginning with taxes payable in 2027.

The proposal creates a seasonal tax base replacement aid 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 would reduce school referendum levies.

- According to the Minnesota Department of Education, the proposed 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 would decrease by the amount of aid each year. This would decrease property taxes for all properties, including homesteads.
 - Lower property taxes would result in lower homeowner property tax refunds, reducing costs to the state general fund beginning in fiscal year 2028.
 - Lower property taxes would result in lower income tax deductions, increasing revenues to the state general fund beginning in fiscal year 2028.

LGA Sparsity Adjustment (Sections 3-4)

The effective date is beginning for aids payable in 2027.

The proposal would create a sparsity adjustment in the city local government aid (LGA) formula. A sparsity adjustment of 200 would be added to the revenue need calculation for:

- 1) cities with a population of 10,000 or more and an average population density of less than 150 per square mile, and
 - 2) cities with a population of less than 10,000 and an average population density of less than 30 per square mile.
- Under the proposal, there would be 15 cities estimated to qualify for a sparsity adjustment.
 - There would be no state cost associated with the change in the formula distribution because total aid is set to a fixed appropriation level. The formula change would shift aid to certain cities receiving a sparsity adjustment and away from other cities receiving local government aid.

Soil & Water Conservation District Aid Increased (Section 5)

The effective date is beginning with aids payable in 2026.

Under current law, soil and water conservation districts receive \$12 million annually for aid payable year 2026 and thereafter.

The proposal would increase the annual aid amount to \$14 million beginning in 2026.

- The appropriation would increase state general fund costs by \$2 million in fiscal year 2027 and thereafter.

Local Affordable Housing Aid Modifications (Sections 6-8)

The effective date is beginning with aids payable 2027.

The proposal would make the following changes to Local Affordable Housing Aid:

- Allow the aid to be spent on emergency shelter construction.
 - Extend the funding deadline on qualifying projects by two years.
 - Various technical and conforming changes.
- The proposed changes to Local Affordable Housing Aid would have no direct impact on the state general fund.

Statewide Local Housing Aid Modifications (Sections 9-12)

The effective date is beginning with aids payable 2027.

The proposal would make the following changes to Statewide Local Housing Aid:

- Allow the aid to be spent on emergency shelter construction.
 - Allow tribal nations to transfer aid to tribal housing funds.
 - Extend the funding deadline on qualifying projects by two years.
 - Clarify that certain reporting requirements must only be fulfilled by counties and tier 1 cities
 - Various technical and conforming changes.
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- The proposed changes to Statewide Local Housing Aid would have no direct impact on the state general fund.

Federal Enforcement Reimbursement Aid (Section 13)

The effective date is for aids payable in 2026 only.

The proposal establishes a one-time \$2 million state aid program for cities to reimburse costs associated with federal immigration enforcement actions. Eligible costs include vehicle towing, staff overtime, and other materials and supplies incurred between December 1, 2025, and May 31, 2026. Cities would receive full reimbursement unless total statewide requests exceed \$2 million, in which case aid would be distributed proportionally based on each city's share of eligible costs.

- The one-time appropriation would result in a \$2 million state general fund cost in fiscal year 2027.

Fillmore County Disparity Reduction Aid (Section 14)

The effective date is the day following final enactment.

Under current law, certain unique taxing areas (UTAs) receive disparity reduction aid to reduce county, township, and school district levies. This aid cannot reduce the UTAs total tax rate below 90%. Each year, the Department of Revenue certifies maximum disparity reduction aid amounts to counties, and counties calculate and report how much aid was used. For aids payable in 2024 and 2025, no disparity reduction aid was used in Fillmore County, although some UTAs were eligible.

The proposal would add the disparity reduction aid amounts that Fillmore County UTAs would have received in 2024 and 2025 to the amount payable in 2027. These added amounts would not affect the calculation of the regular 2027 aid. Fillmore County UTAs would be allowed to reduce their 2027 tax rates below the 90% threshold with the additional aid.

- Local governments in Fillmore County would have received \$233,325 in disparity reduction aid in both 2024 and 2025.
- Providing Fillmore County with the amounts they were eligible for in aids payable 2024 and 2025 would increase state general fund costs by \$466,650 in fiscal year 2028.
- It is assumed that the additional aid would reduce property tax levies by an equal amount. 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 beginning in FY 2028.
 - Lower levies would result in lower income tax deductions, increasing revenues to the state general fund beginning in FY 2028.

Local Homeless Prevention Aid Expiration Repealed (Section 15)

The effective date is July 1, 2026.

Current law provides that local homeless prevention aid will expire after aids payable 2028. The proposal would remove this expiration, allowing the \$20 million in annual aid to continue indefinitely.

- Removing the expiration date for the aid would have no direct impact on the state general fund during the forecast period, but would increase costs beginning in fiscal year 2030 and thereafter.

Article 7: 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 proposal would modify 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 proposal would also modify the definition of excess increments.

- The proposed changes to the general TIF provisions would 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 proposal would extend the five-year rule and the six-year rule by an additional three years for a cumulative eight-year extension for both 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.

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 proposal would expand 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 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 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 proposal would extend the authority to approve a TIF plan and establish a TIF district under this law through December 31, 2028.

- 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.

Chaska TIF (Section 5)

The effective date is following local approval.

The proposal would allow 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 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.

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 proposal would extend 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 proposal would also allow the city of Columbia Heights or its economic development authority to extend the duration of the district by five 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.

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 proposal would extend 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 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 8: Public Finance

Local Government Debt Financing Modified (Sections 1-2)

The effective date is July 1, 2026.

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

- There is no assumed direct impact to the state general fund.

Article 10: Minerals

Minerals (Sections 1-13)

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

The proposal would modify 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.
- 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.
- Proportionately reduce certain distribution amounts if tax revenue from Mesabi Metallics is insufficient to cover all the distributions.

The proposal would make 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.
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- The proposed modifications to mineral tax provisions are assumed to have no direct impact on the state general fund.
 - Changes to distributions and allocations would shift production tax revenues among various taconite-related funds.

Article 11: Miscellaneous

South St. Paul Grant (Section 26)

The effective date is the day following final enactment.

The proposal would provide a \$250,000 grant to the city of South St. Paul to be paid by June 30, 2026. 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 \$250,000 in fiscal year 2026.

Article 13: Department of Revenue: Property Taxes

Repeal References to Expired Programs (Sections 1-3)

The effective date is the day following final enactment.

The proposal would remove references to expired property tax programs, terminated aid programs, and obsolete personal property lists from statute.

- It is assumed that the proposal would 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>