

Minnesota Department of Revenue
Property Tax Division

Property Tax Law

Summary

2011 Regular and Special Session Laws



2011

MINNESOTA ▪ REVENUE

Date: December 14, 2011
To: All Property Tax Administrators
From: John Hagen, Director – Property Tax Division
Subject: 2011 Property Tax Law Summary – Regular and Special Sessions

The Property Tax Division of the Minnesota Department of Revenue is pleased to provide this summary of the law changes related to property taxes that were enacted during the 2011 Regular and Special Sessions of the Minnesota Legislature.

The purpose of the *Property Tax Law Summary* is to provide property tax administrators and their service organizations with an organized and condensed source of information to make them aware of the many legislative changes affecting property tax laws this year.

Except for a few cases that may involve the Department of Revenue, the property tax law summary does not cover property tax laws specifically relating to school districts. This dimension of the property tax system is covered by the Minnesota Department of Education, which can be reached via 651-582-8566.

This specific summary encompasses the contents of two earlier summaries from 2011: the Regular Session summary and the Special Session summary. This single document may be more user-friendly and accurate in terms of understanding changes made to property tax laws throughout 2011.

The *Property Tax Law Summary* could not have been produced without the knowledge and skills of many people inside and outside the Property Tax Division of the Department of Revenue. The division wishes to acknowledge the contributions of the Appeals and Legal Services Division of the Department of Revenue, Minnesota House and Senate Research staff, and all others who provided invaluable information in developing this new law summary.

If you have suggestions for improving future editions of the property tax law summary, please contact Andrea Fish at andrea.fish@state.mn.us.

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Assessment

General Provisions

Appeals; Income-Producing Properties Chapter 112, Article 11, section 9

Amends section 278.05, subdivision 6

This section amends the so-called “60-Day Rule” language by clarifying the documents that income-producing property owners would need to furnish to the assessor, as well as creating an August 1 deadline for providing the listed materials. The requirement to provide all lease agreements in all cases is eliminated, but the assessor may request copies of lease agreements.

Under new language, in cases where there has been an appeal of income-producing property, the following information must be provided to the County Assessor by no later than August 1 of the taxes payable year:

1. a year-end financial statement for the year prior to the assessment date;
2. a year-end financial statement for the year of the assessment date;
3. a rent roll on or near the assessment date listing the tenant name, lease start and end dates, base rent, square footage leased, and vacant space;
4. identification of all lease agreements not disclosed on the rent roll under item 3 above, listing the tenant name, lease start and end dates, base rent, and square footage leased;
5. net rentable square footage of the building(s);
6. anticipated income and expenses in the form of a proposed budget for the year subsequent to the year of the assessment date;

The information required to be provided to the assessor does not include leases. However, after August 1, if the assessor determines that the actual leases in effect on the assessment date are necessary to properly evaluate the property, then the assessor may require the petitioner to submit the leases. The leases must then be provided within 60 days of the assessor’s request. The court will hear and decide disputes related to these subsequent information requests.

History: The former language in section 278.05 had been interpreted by many to include any number of data items. The previous terminology (“including tenant name, lease start and end dates,” etc.) appeared unlimited. New language in this provision clarifies and limits the list of items, and also creates an actual date deadline for providing the information: August 1 of the taxes payable year (previous law had a 60-day deadline). This language was a joint effort between the Minnesota Association of Assessing Officers and the Minnesota Bar Association.

Effective Date: Effective for petitions contesting the 2010 assessment, and assessments made after that date.

**Chapter 76, Article 1, section 40 [Revisor's bill]
Assessors' Duties and Powers**

Amends section 273.054

This technical provision removed references to 1969 Session Law and replaced that language with the applicable statutory provisions related to assessor's duties and powers (sections 273.05, 273.051, 273.052, 273.053, 273.055, and 273.056).

Effective Date: August 1 following final enactment.

**Chapter 76, Article 1, section 41 [Revisor's bill]
City Assessors**

Amends section 273.063

This technical provision removed references to 1967 Session Law and replaced that language with the applicable statutory provisions related to city assessors (sections 272.161, 273.061, 273.062, 273.063, 273.072, 273.08, 273.10, 274.01, and 375.192).

Effective Date: August 1 following final enactment.

State Assessed Property

**Correction in Values; Railroad Property
Chapter 112, Article 3, section 1**

Amends section 270.87

This provision allows for corrections in value of railroad property through August 31 if it is determined that the equalized fair market value certified on or before June 30 is in error. This provision was one of the department's policy recommendations.

History: Current law does not provide a sufficient time period to make corrections regarding the property taxes of railroad property. The new time period for adjustments allows revised values to be reflected on the Truth in Taxation notices and would be prior to the local jurisdictions setting their final budgets and property tax levies.

Effective Date: For taxes payable in 2012 and thereafter.

Correction of Errors; Wind Energy Production Tax Chapter 112, Article 3, section 2

Amends section 272.029 by adding subdivision 4a

This provision allows the Department of Revenue to make corrections to errors in Wind Energy Production Tax calculations. The correction may be made and certified to the County Auditor where the wind energy conversion system is located on or before April 1. This provision was one of the department's policy recommendations.

History: Current law does not provide a sufficient time period to make corrections regarding Wind Energy Production Taxes.

Effective Date: Beginning with certifications due February 28, 2012.

Correction of Assessments; Pipelines Chapter 112, Article 3, section 5

Amends section 273.33, subdivision 2

This provision allows the Department of Revenue to issue a correction for pipeline assessments through October 1, if it is determined that the amount certified on or before August 1 is in error.

History: Current law does not provide a sufficient time period to make corrections regarding the property taxes of pipeline property. The new time period for adjustments allows revised values to be reflected on the Truth in Taxation notices and would be prior to the local jurisdictions setting their final budgets and property tax levies.

Effective Date: For taxes payable in 2012 and thereafter.

Correction of Assessments; Transmission Lines **Chapter 112, Article 3, section 6**

Amends section 273.37, subdivision 2

This provision allows the Commissioner of Revenue to correct the assessments of transmission lines through October 1 if it is determined that the assessment certified on or before August 1 is in error. This provision was one of the department's policy recommendations.

History: Current law does not provide a sufficient time period to make corrections regarding the property taxes of transmission lines. The new time period for adjustments allows revised values to be reflected on the Truth in Taxation notices and would be prior to the local jurisdictions setting their final budgets and property tax levies.

Effective Date: For taxes payable in 2012 and thereafter.

Recommended and Ordered Values **Chapter 112, Article 3, section 7**

Amends section 273.3711

This section provides that, for state-assessed properties, the Commissioner of Revenue must certify to the County Auditor recommended values on or before August 1, and if the commissioner determines that the recommended value is in error, a correction may be certified through October 1. This provision was one of the department's policy recommendations.

History: Current law does not provide a sufficient time period to make corrections regarding state assessed properties. The new time period for adjustments allows revised values to be reflected on the Truth in Taxation notices and would be prior to the local jurisdictions setting their final budgets and property tax levies.

Effective Date: For taxes payable in 2012 and thereafter.

Values Finalized **Chapter 112, Article 3, section 8**

Amends section 274.175

This section updates cross-references for finalizing values of state assessed properties. This provision was one of the department's policy recommendations.

Effective Date: For taxes payable in 2012 and thereafter.

Exempt Property

Limitations on Exemptions

Chapter 112, Article 7, section 9

REPEALS section 272.02, subdivision 34

This provision *repeals* limitations on exemptions that are either covered elsewhere or are obsolete. A statement in this subdivision provided that Minnesota Statutes, section 272.02, subdivisions 1 through 33 are subject to certain limits or restrictions that are either redundant given the limits and restrictions in subdivision 1a, or obsolete given the changes in property tax treatment of low-income housing over recent years. This provision was a technical recommendation by the department.

Effective Date: Day following final enactment.

Exemption extension for economic development

First Special Session Chapter 7, Article 5, section 3

Amends section 272.02, subdivision 39

This section grants an extension to the existing exemption for specific public property held for economic development purposes from eight years to nine years. The exemption of 15 years for property located in a city of 5,000 population or under that is located outside the metropolitan area was not changed.

Effective Date: For taxes levied in 2011, payable in 2012, and thereafter.

St. Louis County Fairgrounds

Chapter 112, Article 11, section 7

Adds subdivision 95 to Minnesota Statutes, section 272.02

This provision allows for land and buildings used exclusively for county or community fairgrounds as provided in section 383C.164 to be exempt from property taxes. Section 383C.164 cross-references sections 383C.16 and 383C.161 which allow the St. Louis County Board to maintain one or more county fairs. The amendment clarifies that St. Louis County is authorized, as a public purpose, to support and maintain numerous community fairgrounds in addition to the traditional (single) County Fair site.

History: Typically, county fairs are exempt from property taxes, but under statute prior to this law change, only one county fair per county was authorized. St. Louis County operates more than one county fairground site, and this provision allows the additional sites to also qualify for property tax exemption provided the specific requirements of section 383C.16 or 383C.161 are met.

Effective Date: For taxes payable in 2012 and thereafter.

Electric generation facility; personal property
First Special Session Chapter 7, Article 5, section 4

Amends section 272.02 by adding subdivision 96

This exemption is targeted at a facility proposed to be built in the City of Fairmont. For attached machinery and other personal property to qualify for an exemption under this provision, it must be part of a multiple reciprocating engine electric generation facility that adds more than 20 and less than 30 megawatts of installed capacity at a site where there is presently more than ten megawatts and fewer than 15 megawatts of installed capacity.

At the time of construction, the facility must be designed to utilize natural gas as a primary fuel; be owned and operated by a qualifying municipal power agency; be located within one mile of an existing natural gas pipeline; be designed with specific startup and emergency backup power; have received resolution by the governing bodies of the city and county where the personal property is located; and the facility must meet all other requirements under this subdivision. Construction must begin after December 31, 2011 but prior to January 1, 2015.

If all requirements are met, the facility is exempt from both *ad valorem* property taxes and payments in lieu of taxation.

The exemption does not include electric transmission lines and interconnections, or gas pipelines and interconnections appurtenant to the property. The exemption does not include property located on the site on the enactment date of this subdivision.

Effective Date: For assessments in 2012, payable in 2013, and thereafter.

Property used in mining subject to net proceeds tax
First Special Session Chapter 7, Article 7, section 1

Amends section 272.02 by adding subdivision 97

This provision grants an exemption from property tax for property used for mining that is subject to the net proceeds tax in section 298.015. This affirms a pre-existing provision in section 273.11, subdivision 1. The exemption applies only after mining, quarrying, producing, or refining has started. The exemption includes lands, and all real and personal property used in mining, quarrying, producing, or refining ores, minerals, or metals. The exemption applies for each year that an individual subject to the tax under section 298.015 (the net proceeds tax on mining) uses the property for mining, producing, or refining ores, metals, or minerals.

Effective date: For taxes payable in 2012 and thereafter.

Exclusions/Value Limitations

Homestead Market Value Exclusion

First Special Session Chapter 7, Article 6, section 3

Amends section 273.13 by adding subdivision 35

This provision provides a market value exclusion to properties classified as 1a or 1b, as well as the portion of class 2a property that consists of the homesteaded house, garage, and one acre of land. The market value exclusion replaces the homestead market value credit that is repealed in article 6, section 27.

Calculation of the homestead market value exclusion closely follows the calculation steps previously used to calculate the homestead market value credit. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

If a portion of a property is classified as nonhomestead solely because not all of the owners occupy the property, not all of the owners have qualifying relatives occupying the property, or solely because not all of the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. When an owner-occupant's spouse does not occupy the property (and the property does not receive a full homestead for the allowable instances in statute), the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero. With respect to rounding, however, note that authority remains under section 276.04, subdivision 2, to round tax amounts to the nearest even whole dollar.

The homestead market value exclusion is taken after any valuation exclusions or adjustments in 273.11 (which includes the platted vacant land, "This Old House," "This Old Business," mold, and lead hazard exclusions), making it the last adjustment in determining the taxable market value used to compute net tax capacities.

The agricultural market value credit was not repealed, nor do agricultural homestead properties qualify for value exclusion beyond that described above for the HGA.

Effective Date: For taxes payable in 2012 and thereafter.

Special Valuations and Deferrals

Green Acres; Purpose Statement Chapter 13, section 1

Amends section 273.111 by adding subdivision 2a

This section adds a purpose statement to Green Acres under Minnesota Statutes:

“The legislature finds that it is in the interest of the state to encourage and preserve farms by mitigating the property tax impact of increasing land values due to nonagricultural economic forces.”

History: The Office of the Legislative Auditor’s 2008 report on Green Acres and agricultural land noted that lack of a clear purpose statement made it difficult to determine whether the goals of the program were being met. It is hoped that this additional purpose statement will assist lawmakers in reviewing the program in future years.

Effective Date: Day following final enactment.

Rural Preserve Requirements Chapter 13, section 2

Amends section 273.114, subdivision 2

This section modifies the land requirements for enrollment in Rural Preserve. The changes limit eligible property to class 2b lands. Prior to law changes, both 2a and 2b lands were eligible for enrollment, however with the conservation assessment plans required under previous law, it was not expected that properties could continue to be farmed (and sustain the 2a classification) and be enrolled in Rural Preserve.

Under amended language, class 2b land that was properly enrolled in Green Acres for taxes payable in 2008 may be enrolled in Rural Preserve without consideration of its homestead status as long as it is contiguous to class 2a property under the same ownership that is currently enrolled in Green Acres.

If the land is not qualifying as having been properly enrolled in Green Acres for taxes payable in 2008, the class 2b lands must be part of an agricultural homestead and contiguous to class 2a property under the same ownership that is enrolled in Green Acres.

All references to the conservation assessment plan, covenant agreement, and minimum term of enrollment have been removed from Rural Preserve. However, the requirements that there are no delinquent taxes on the land and that the land being enrolled is not concurrently enrolled in Green Acres, Open Space, Metropolitan Agricultural Preserves, or Sustainable Forest Incentive Act still remain.

Effective Date: For taxes payable in 2012 and thereafter.

Rural Preserve Application Chapter 13, section 3

Amends section 273.114, subdivision 5

The application requirements for Rural Preserve were updated. It has been clarified that property that has been accepted for valuation and deferral under Rural Preserve is enrolled until it is withdrawn or no longer qualifies. Additionally, the application now must include the most recent available aerial photograph or satellite imagery of the property. This image may either come from the Farm Service Agency of the United States Department of Agriculture, or from the county's GIS system. When enrollment in Rural Preserve required a conservation assessment plan under previous statutory language, the plan would have been accompanied by an image such as this. With the removal of the conservation assessment plan under Chapter 13, section 8, this single requirement has now been added to the application process.

The image must delineate the land that is to be enrolled in the program. If a property owner wishes to leave some land out of the program (e.g., the farmer wishes to sell or develop the land), those acres should also be clearly delineated as part of the application process.

As noted, the references to the covenant agreement have been removed from Rural Preserve.

Effective Date: Day following final enactment.

Rural Preserve Additional Taxes Chapter 13, section 4

Amends section 273.114, subdivision 6

The repayment of taxes deferred under Rural Preserve was clarified so that three years' deferred taxes (and any deferred special assessments) are due when "real property which is being, or has been valued and assessed under this section no longer qualifies under subdivision 2." The portion that no longer qualifies is assessed the deferred taxes.

Three years' deferred taxes and deferred special assessments are therefore due when the property owner requests removal from the program, or if the property becomes:

- a. any classification other than 2b rural vacant land;
- b. non-homestead (unless it was grandfathered in due to being enrolled in Green Acres for taxes payable in 2008); or
- c. no longer contiguous to Green Acres property under the same ownership.

Effective Date: Day following final enactment.

Land Removed from Green Acres Chapter 13, section 5

Uncodified provision

This uncodified section outlines the treatment of properties which were removed from Green Acres at the owner's request. Property owners who withdrew class 2a land from Green Acres at any time since May 21, 2008 may apply for enrollment in Green Acres until as late as August 1, 2011 to be eligible for enrollment in the 2011 assessment year and thereafter (for all other years, the application deadline remains May 1). The owner's land must have been properly enrolled in Green Acres prior to withdrawal and must meet current requirements for enrollment.

This section also allows property owners who withdrew properly-enrolled class 2b lands from Green Acres at any time since May 21, 2008, to enroll those acres into Rural Preserve as late as August 1, 2011 and be treated as if those acres were enrolled in Green Acres immediately prior to enrollment in Rural Preserve (for all future years, the application deadline remains May 1). This clarification is necessary because if a property owner had been enrolled in Green Acres for taxes payable in 2008, but withdrew anytime after May 21, 2008, it is possible that the property is not an agricultural homestead. It should be regarded as if the qualifications for enrollment in Rural Preserve as property that had been enrolled in Green Acres under the same ownership for taxes payable in 2008 are currently met.

If a property owner withdrew class 2a acres after May 21, 2008, or withdrew class 2b acres after August 16, 2010, and paid deferred taxes, those taxes should be repaid to the property owner if they re-enroll in Green Acres or enroll in Rural Preserve as outlined above. Only those acres enrolled in either program are eligible for refund of the deferred taxes paid. Additional taxes paid while the property has been assessed at its highest and best use value (if any) are not refunded to the taxpayer. The Commissioner of Revenue is to prescribe the manner in which these deferred taxes should be repaid.

Effective Date: The provision relating to refunds of deferred taxes paid is effective the day following final enactment; the other provisions are effective for taxes payable in 2012 and thereafter.

Rural Preserve Covenants Terminated Chapter 13, section 6

Uncodified provision

This uncodified section terminates covenants entered into for purposes of enrollment in Rural Preserve. Because covenants are no longer required for enrollment, property owners need not be so encumbered. An informal survey of County Assessors in 2011 determined that there were relatively few covenants entered into for these purposes.

Effective Date: Day following final enactment.

Agricultural and Rural Vacant Land Values; Study Required Chapter 13, section 7

Uncodified provision

This section requires the Commissioner of Revenue to study alternative methods of valuing class 2a and class 2b lands for purposes of Green Acres and Rural Preserve, respectively. This study is to be in consultation with the Minnesota Association of Assessing Officers, the Department of Applied Economics at the University of Minnesota, and representatives of major farm groups within Minnesota. The department has been working with the Department of Applied Economics already in response to changes made in 2010 to determine Green Acres values that is effective for the 2012 assessment. The commissioner must make a report to the Legislature by February 15, 2012, describing the methods intended to be used for assessment year 2012 and thereafter.

Effective Date: Day following final enactment.

Conservation Assessment Plan Chapter 13, section 8

REPEALS section 273.114, subdivision 1

This section repeals Minnesota Statutes 2010, section 273.114, subdivision 1, which outlined the conservation assessment plan that had been required for enrollment in Rural Preserve prior to 2011 law changes. All references to conservation assessment plans and covenants have been removed from Rural Preserve.

Effective Date: Day following final enactment.

Market Value Exclusion for Homesteads of Disabled Veterans or Family Caregivers First Special Session Chapter 7, Article 5, section 8

Amends section 273.13, subdivision 34

This section makes three significant changes to the disabled veterans' market value exclusion provision.

Surviving Spouses of Permanently and Totally Disabled Veterans

For surviving spouses of veterans who had previously qualified for exclusion under this section as totally (100 percent) and permanently disabled, the exclusion carries over to the benefit of the surviving spouse for five additional taxes payable years after the year of the veteran's death. Under 2010 statute, the exclusion carried over for one additional assessment year after the year of the qualifying veteran's death (i.e., two taxes payable years). Under changes made to this section, surviving spouses would continue to receive the benefit for the taxes payable year of the veteran's death, as well as for the current and four

additional assessment years, for a total of five total taxes payable years after the year of the veteran's death.

The benefit would end after the four additional assessment years after the year of the veteran's death, or "until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first." The removal of exclusion upon remarriage is also new with this law change.

If a property had initially received the exclusion for the 2008 assessment year, and the qualifying veteran passed away that year, the surviving spouse would have been eligible to receive the exclusion for the 2008 and 2009 assessment years (taxes payable in 2009 and 2010) under previous statute. These surviving spouses did not receive the exclusion for the 2010 assessment for taxes payable in 2011. However, the effective date of this language provides:

"A qualifier under paragraph (c) [surviving spouses of permanently and totally disabled veterans] that would have been eligible for a market value exclusion under this section for taxes payable in 2011, if the change under this section had been effective for that year, shall be eligible to receive the benefit of the exclusion for the remaining number of total taxes payable years provided under paragraph (c)."

This means that surviving spouses who received the benefit for taxes payable in 2009 and 2010 should also receive the benefit for taxes payable in 2012, 2013, and 2014 – five total payable years. This assumes the surviving spouse has not remarried, nor has sold, transferred, or otherwise disposed of the property. If a permanently and totally disabled veteran passes away in 2012, the surviving spouse would receive the benefit for taxes payable in 2012 (based on the 2011 assessment as the veteran's exclusion), as well as for taxes payable in 2013, 2014, 2015, 2016, and 2017 (based on assessment years 2012 [the year of the veteran's death], 2013, 2014, 2015, and 2016).

Applications for continuation of benefit for surviving spouses are now due annually by July 1 for that assessment year; for 2011, applications for surviving spouses may be made as late as August 16, 2011. Counties are not required to abate the taxes payable in 2011.

Surviving Spouses of Service Members Who Die in Active Service

The exclusion is also newly applicable to surviving spouses of service members of any branch of the armed forces who die due to a service-connected cause while serving honorably in active duty as indicated on United States Government Form DD1300 or DD2064. The surviving spouse must be the legal or beneficial title holder to the homestead residence and permanently reside there. The benefit for these surviving spouses is a maximum of \$300,000 of excluded value for five taxes payable years, or until such time as the surviving spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first.

A first-time application for surviving spouses of service members killed in action may be made at any time within two years of the death of the service member. This means that a surviving spouse of a service member who died in action in 2010 or 2011 may apply by July 1, 2012 to qualify for taxes payable in 2013. Applications must be annually submitted under this provision. Applications may first be made by July 1, 2012 for taxes payable in 2013.

Primary Family Caregivers

Primary family caregivers of qualifying disabled veterans are now also eligible for the exclusion. In this case, the veteran may not own homestead property, but the veteran's primary family caregiver's homestead would be eligible for the same benefit as the veteran (maximum \$150,000 or \$300,000 exclusion, depending on the veteran's disability rating). A primary family caregiver is defined as a person who is approved by the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers (codified as US Code, title 38, section 1720G).

For primary family caregivers, annual applications are required to be submitted by July 1 to be eligible for that assessment year. Applications may first be made by July 1, 2012 for taxes payable in 2013.

Other Changes

Additionally, this section made clarifying changes to cross-reference that properties that qualify for the disabled veterans' market value exclusion are not additionally eligible for the homestead market value exclusion created under article 6, section 3. A purpose statement was also added.

Effective date: For taxes payable in 2012 and thereafter, and for homesteads that initially qualified for exclusion for taxes payable in 2009 and thereafter.

Property Tax Aids & Credits

County Program Aid

County Program Aid Payments in 2011-2012 **First Special Session Chapter 7, Article 6, section 15**

Amends section 477A.0124, by adding subdivision 6

County program aid distributions for 2011 and 2012 are reduced from \$197 million to \$161 million. Aid payments to counties will be equal to the lesser of the total amount paid in 2010, after reductions, or the 2011 certified amount.

Effective Date: For aids payable in calendar year 2011 and 2012.

Appropriation **First Special Session Chapter 7, Article 6, section 18**

Amends section 477A.03

This provision sets the county program aid appropriation for 2013 and thereafter at the 2010 amount, after reductions. The appropriation will total approximately \$165 million.

Effective Date: For aids payable in calendar year 2012 and thereafter.

Local Government Aid

City Net Tax Capacity **First Special Session Chapter 7, Article 6, section 14**

Amends section 477A.011, subdivision 20

With the repeal of the market value credit and the addition of the homestead market value exclusion, this provision clarifies that the market values used to compute city net tax capacity for local government aid calculation purposes are the market values after the homestead market value exclusion is subtracted.

Effective Date: For aids payable in calendar year 2013 and thereafter.

City Aid Distribution

First Special Session Chapter 7, Article 6, section 16

Amends section 477A.013, subdivision 9

Beginning with aids payable to cities in 2013, calculations of maximum aid increases and decreases will resume. Local government aid will be distributed to cities based on the formula.

Effective Date: For aids payable in 2013 and thereafter.

Aid Payments in 2011 and 2012

First Special Session Chapter 7, Article 6, section 17

Amends section 477A.013, by adding subdivision 11

Local government aid (LGA) payments to cities in 2011 and 2012 are limited to the lesser of 2010 Local Government Aid amounts, after reductions, and after reductions for any applicable one time city aid base payments, and the 2011 certified aid amounts.

In the 2010 legislative session the city of Houston was granted a one-time city aid base adjustment for 2011. This aid base adjustment will be paid to the city of Houston in 2011 only, and will not be included in the 2012 LGA payment.

Effective Date: For aids payable in calendar year 2011 and 2012.

Appropriation

First Special Session Chapter 7, Article 6, section 18

Amends section 477A.03

This provision sets the local government aid appropriation for 2013 and thereafter at the 2010 amount, after reductions. The appropriation will total approximately \$426 million.

Effective Date: For aids payable in calendar year 2012 and thereafter.

Delay in Certain July State Payments to Local Governments First Special Session Chapter 7, Article 6, section 25

Adds an uncodified provision

This section delays the state payment of 2011 local government aid and county program aid from July 20, 2011 to July 27, 2011, in order to accurately reflect the aid reductions passed in the special session.

Effective Date: Upon final enactment and applies to the July 20, 2011 payments.

Other Property Tax Aids

Penalty for Late Police and Fire Aid Chapter 112, Article 5, section 1

Amends section 69.031, subdivision 1

This section changes the date at which interest would accrue for late payments of police and fire aid from previous law's July 1 date, to the actual payment due date of October 1.

History: While the payment has never been late, any potential for a late payment would be due to a technical glitch that may not be preventable by the Department of Revenue. Much of the information necessary to make these payments is not received until very shortly before the payment is due. If a late payment were to occur, prior language provided that interest would accrue beginning July 1 of the year in which the payment should have been made. This could result in interest due of several million dollars. This provision was one of the department's policy recommendations.

Effective Date: Day following final enactment.

Deadline for Reports Extended First Special Session Chapter 8, Article 4, section 1

Adds an uncodified provision

A municipality or relief association may submit their 2009 financial report and audit and financial statement to the state auditor, without forfeiting their 2010 state aid, by April 30, 2011. This deadline is extended from the current deadline of November 30th following the due date.

Effective Date: The day following final enactment.

Property Tax Credits

Repealer, State-Paid Homestead Market Value Credits First Special Session Chapter 7, Article 6, section 27

REPEALS section 273.1384, subdivisions 1 and 6

The state paid homestead market value credit is repealed. The credit is replaced by a homestead market value exclusion created in article 6, section 3.

Effective Date: For taxes payable in 2012 and thereafter.

Credit Reimbursements

First Special Session Chapter 7, Article 6, sections 4 and 5

Amends section 273.1384, subdivisions 3 and 4

These provisions remove a reference to the repealed homestead market value credit. With the conversion of the homestead market value credit to the homestead market value exclusion, this provision provides that the agricultural market value credit will continue to be a state paid credit, while the homestead market value credit will not.

Effective Date: For taxes payable in 2012 and thereafter.

Repealer

First Special Session Chapter 7, Article 6, section 27

REPEALS section 275.295

Wetland reimbursements are repealed.

Effective Date: For taxes paid in 2012 and thereafter.

Credit Reductions and Limitations; Counties and Cities

First Special Session Chapter 7, Article 6, section 23

Adds an uncodified provision

Limits the 2011 homestead market value credit payments to each city and county to the amounts paid in 2010, after reductions.

Effective Date: For credit reimbursements in 2011.

Property Tax Programs and Incentives

Disaster Abatements

Homestead Property Definition Chapter 112, Article 7, section 1

Amends section 273.1231, subdivision 4

This provision strikes a reference to 1c property in the definitions of homestead property for purposes of disaster abatements. The homestead dwelling on a Ma & Pa Resort is class 1a or 1b, not 1c. This was one of the department's technical recommendations.

Effective Date: Day following final enactment.

Hennepin and Anoka County Abatement Authorization First Special Session Chapter 7, Article 5, section 13

Adds an uncodified provision

This provision allows Anoka County and Hennepin County to grant a property tax abatement for taxes payable in 2011 for homestead property that has sustained losses in value of less than 50%, and is located within the area covered by Presidential Disaster Declaration FEMA-1990-DR. The owner must submit application to the county assessor within 60 days of the effective date of this provision, and any property that is granted this abatement is not eligible for the disaster credits provided under Minnesota Statutes, sections 273.1234 and 273.1235, for taxes payable in 2012. This provision also provides reimbursement of approved abatements for each taxing jurisdiction.

Under current law, properties sustaining losses of less than 50% in value would be eligible for a property tax credit; however the credit would not be applied until payable 2012. This provision speeds up the relief by allowing property owners to receive an abatement of payable 2011 taxes.

Effective Date: The day following final enactment.

Sustainable Forest Incentive Act

Calculation of Incentive Payment

First Special Session Chapter 7, Article 6, section 12

Amends section 290C.07

This section changes the Sustainable Forest Incentive Act (SFIA) payment to a set \$7.00 per acre, with a maximum payment of \$100,000 for each Social Security number or tax identification number. The effective date of this language also allows claimants to withdraw from SFIA if they were subject to payment limitations under Minnesota Laws 2010, First Special Session, chapter 1, article 3, section 4, subdivision 3 or changes made in this section. Elections for withdrawal may be made through December 31, 2011. The Commissioner of Revenue will terminate covenants for those property owners.

History: Changes made to the calculation of forest land for purposes of the SFIA program in 2009 unexpectedly caused the payment to increase from \$8.74 per acre for payments made in 2009 to \$15.67 per acre for payments made in 2010. The complicated calculation formula was based on stumpage prices, tree growth rates, and the value of timber lands, and it was therefore difficult to anticipate and prepare for fluctuations in the payment amount. Legislature addressed concerns and issues with the payment amount increase through this provision. Additionally, there were concerns that in many cases the payment amount per acre exceeded the actual property taxes per acre.

Effective Date: For payments in calendar year 2011.

Purpose Statement and Transition Provisions

First Special Session Chapter 7, Article 6, section 26

Adds an uncodified provision

This section adds a purpose statement defining the reasoning for amending the SFIA program under article 6, section 12 (i.e. the \$7.00 per-acre payment and the \$100,000 payment cap). Additionally, an allowance is made for property owners whose payments were capped by 2010 or 2011 legislation and who subsequently withdrew under the provisions of section 12, to enroll in to the 2c Managed Forest Land classification by applying to the assessor by September 1, 2011. The annual application deadline for the 2c classification for all other applicants continues to be May 1 of the assessment year; this extension is only applicable to property owners who withdraw from SFIA under the parameters of this section. The 2c classification allows a maximum enrollment of 1,920 acres statewide per taxpayer.

Effective Date: The day following final enactment.

Tax Increment Financing

General Provisions

TIF Economic Development Districts Chapter 112, Article 11, section 13

Amends section 469.176, subdivision 4c

This provision extends the 2010 jobs bill's economic development district authority for one year: from July 1, 2011, to July 1, 2012. Districts may be used for any type of project if the municipality finds the project will create new jobs in the state and the project would not otherwise have occurred without the assistance. The project must begin before July 1, 2012 and the request for certification must be made by June 30, 2012. The authority for projects to assist market rate housing is extended by only six months.

Effective Date: Day following final enactment.

TIF Temporary Authority to Stimulate Construction Chapter 112, Article 11, section 14

Amends section 469.176, subdivision 4m

This provision extends authority, provided in the 2010 jobs bill, to spend excess and surplus tax increments by one year: to December 31, 2012. Expenditures would not be subject to most general law restrictions. This authority applies to new construction or substantial rehabilitation of existing buildings that would not have otherwise occurred. Development must create or retain jobs, including construction jobs, and construction must begin before July 1, 2012. Authority for projects to assist market rate housing is extended by only six months.

Effective Date: Day following final enactment.

Expenditures outside district Chapter 112, Article 11, section 15

Amends section 469.1763, subdivision 2

This section modifies the special pooling rules for housing projects and allows use for owner-occupied housing with a value up to 150 percent of the average market value of housing in the city, but not to exceed \$200,000 in the seven-county metropolitan area, or \$125,000 elsewhere in the state. The money can be used to acquire the houses, demolish, relocate, or rehab them, and do site preparation, or pollution cleanup.

To qualify, the sites or housing units must be dwellings with 1 to 4 units and must have been vacant for at least six months. Dwellings must also be in a foreclosure after the redemption period has expired. This authority sunsets on December 31, 2016, but can be used to continue paying outstanding bonds that were issued before that date.

History: Under 2010 law, 10 percent of increments from a district may be used outside of the area of the district from which it was collected for income-restricted housing. This bill expands the use of that increment to include funding of certain costs related to developing market-rate housing.

Effective Date: Day following final enactment.

Specific Districts

Ramsey TIF

Chapter 112, Article 11, section 16

Amends Laws 2010, Chapter 389, Article 7, section 22

This provision modifies the 2010 special TIF law enacted for the city of Ramsey, correcting the boundary description to add an eastern boundary for the district. This provision also expands the exceptions from general law TIF rules that apply to this district:

- The district is not required to spend 90 percent of redevelopment district increments to correct blight. The 2010 law provided exceptions from this requirement for certain expenditures. This provision provides a complete exemption.
- Increments are authorized to be used for land acquisition and improvement costs incurred prior to establishment of the TIF district.
- The city is allowed to capture increment from two parcels, which under general law would be disqualified as prior planned improvements.

Effective Date: Effective upon approval by the governing body of the city of Ramsey, and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Cohasset TIF
Chapter 112, Article 11, section 17

Uncodified provision

This provision allows the city of Cohasset to use tax increments from two TIF districts to reimburse its general fund for expenditures made on behalf of the TIF districts. Under general law, this would be allowed only if the authority and the city had entered into a written interfund loan agreement before the city made the expenditures.

Effective Date: The day following final enactment, upon approval by the governing body of the city of Cohasset and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Lino Lakes TIF
Chapter 112, Article 11, section 18

Uncodified provision

This provision authorizes a ten-year extension for the City of Lino Lakes to collect increments from its TIF district No. 1-10 through December 31, 2023. This district would otherwise be required to be decertified at the end of 2013. If the city elects to use this authority, it must use increments collected from the district after February 1, 2011, to pay debt service on bonds issued to finance the County Highway 23 interchange with I-35W and the improvements serving Legacy at Woods Edge development.

These expenditures would not be subject to the general law restrictions on pooling, including the 5-year rule, and limits on the type of purposes for which economic development district increments may be spent.

Effective Date: Effective upon compliance by the governing body of the city of Lino Lakes with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sauk Rapids TIF **Chapter 112, Article 11, section 19**

Uncodified provision

This provision allows the city of Sauk Rapids to include three parcels that are enrolled in the Green Acres program into a tax increment financing (TIF) district, if the owner withdraws the parcels from Green Acres by June 30, 2011.

History: Under general law, parcels that have been in the Green Acres program within the last five years may only be included in a TIF district if:

- the district is a housing district; or
- 85 percent or more of the buildings will be used for a combination of manufacturing and distribution.

Effective Date: Effective the day following final enactment after compliance by the governing body of the city of Sauk Rapids with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Minneapolis; Housing Replacement TIF **First Special Session Chapter 7, Article 5, section 11**

Amends Laws 1995, Chapter 264, Article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, Laws 1997, chapter 231, article 10, section 13, Laws 2002, chapter 377, article 7, section 6, Laws 2008, chapter 154, article 9, section 19, and Laws 2010, Chapter 216, section 46

This provision grants one-time authority for the city of Minneapolis to designate up to 200 additional parcels under a housing replacement TIF district. These parcels must be located within the area of the city of Minneapolis covered by Presidential Disaster Declaration FEMA-1990-DR.

Effective Date: Upon local approval and compliance by the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

**Minneapolis; TIF Pooling for Disaster Response
First Special Session Chapter 5, Article 12, section 12**

Adds an uncodified provision

This provision grants temporary exemption to the city of Minneapolis from the general percentage limits on pooling tax increments. The 36-month exemption period began on the date of Presidential Disaster Declaration FEMA-1990-DR (June 7, 2011), and allows the city to spend increments outside of the geographic area of the district. Increments may be used to assist individuals and businesses to reconstruct or rehabilitate damage caused by the June 2011 tornado in North Minneapolis, and to pay for the city's recovery cost. The city must write a spending plan and hold a public hearing prior to using this authority.

Effective Date: Upon local approval and compliance by the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Classification

Homesteads

General Homestead Rules

Chapter 112, Article 7, section 2

Amends section 273.124, subdivision 1

This section makes the following changes, each of which was a technical recommendation of the department:

1. Changes the list of qualifying relatives for agricultural relative homestead properties to a “grandchild, child, sibling, or parent of the owner of the agricultural property or of the spouse of the owner.” This makes the list of qualifying relatives the same for both the owner and the spouse of the owner. Previously, the parents of the spouse were not considered qualifying relatives for relative agricultural homesteads.
2. For provisions allowing spouses to occupy two separate properties and receive separate (full) homesteads in specific and limited circumstances, a requirement was struck that required the owners to have originally co-occupied a property prior to living separately. There are many situations where individuals own and occupy two separate properties and then marry, but continue to occupy the separate residences. If all of the requirements for two homesteads are met, there is no reason to lower the homestead amount for either spouse. This more accurately reflects how the provision is currently administered.

Effective Date: Both provisions are effective for taxes payable in 2012 and thereafter.

Agricultural Homestead Value Linkage

Chapter 112, Article 3, section 3

Amends section 273.124, subdivision 8

This section makes multiple technical corrections to a provision added in 2010. The language clarifies that for qualifying entities that own non-homestead agricultural land, an individual owner’s remaining first-tier value may be applied to land owned by the qualifying entity, up to the first tier agricultural value limit. The language also clarifies that the property is not granted other benefits beyond the reduced class rate (i.e. there is no application of homestead credits or other homestead benefits), that the base property must be individually-owned and owner-occupied, and that contiguous class 2b property on the agricultural entity-owned parcel may also be included up to the first-tier limit. These clarifications were part of the department’s policy recommendations.

Effective Date: Retroactively for taxes payable in 2011 and thereafter.

Property Purchased After Assessment Date Chapter 112, Article 7, section 9

REPEALS section 273.124, subdivision 10

This provision repeals a redundant mid-year homestead provision for properties purchased after the January 2 assessment date. Mid-year homestead allowances are covered elsewhere. This was a technical recommendation by the department.

Effective Date: Day following final enactment.

Special Agricultural Homesteads Chapter 112, Article 7, section 3

Amends section 273.124, subdivision 14

For purposes of granting special agricultural homesteads, the list of qualifying relatives who may be actively farming a property has been amended to read “the owner, the owner’s spouse, or a grandchild, child, sibling, or parent of the owner or of the owner’s spouse.” Currently, parents are not included in the list of eligible relatives.

Additionally, a definition of agricultural property for special agricultural homestead purposes was inserted and reads, “Agricultural property’ means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.” This was a department technical recommendation.

Effective Date: The provision defining qualifying relatives is effective the day following final enactment; the provision regarding the definition of agricultural property is effective with taxes payable in 2012 and thereafter.

Class 1

Class 1c Ma & Pa Resorts Chapter 112, Article 3, section 4

Amends section 273.13, subdivision 22

This provision allows two separate resorts to be treated as one class 1c Ma & Pa Resort property if the following conditions are met (beyond all other requirements for the 1c classification including seasonal use, location on public water, etc.):

- One of the properties must be owner-occupied (or occupied by a member of an LLC that owns the property) as homestead
- Both parcels must be located within the same township
- If owned by LLCs, each LLC must have the same membership

Provided all other requirements for the 1c classification are met, both properties are to be given one class 1c tier and one (total) HGA.

History: This language is targeted to two specific properties in Cook County. Language was originally passed during the 2010 legislative session; however the language passed in 2010 did not mirror the facts of the property owner's situation.

Effective Date: For taxes levied in 2011, payable in 2012 and thereafter.

Class 2

Agricultural Products

Chapter 112, Article 11, section 8

Amends section 273.13, subdivision 23

Changes the items that are defined as "agricultural products" for classification purposes to include game birds and waterfowl bred and raised on a game farm licensed under section 97A.105, provided that the licensing report, which must be submitted annually by March 30 to the assessor, to the Department of Natural Resources indicates that at least 500 birds were raised or used for breeding stock on the property during the year. This is in addition for the allowance for agricultural classification on a property used as a shooting preserve licensed under section 97A.115. According to the Department of Natural Resources, there were 417 licenses under section 97A.105 in 2010, approximately 85 of which were for game birds and waterfowl.

The report is due to the DNR by March 15, and the March 30 deadline to provide this to the assessor allows the property owner to appeal the classification of the property through local appeal options if the classification is not granted.

History: This language was targeted toward a property in Scott County that is currently used for these purposes, and the waterfowl are sold to zoos and collectors.

Effective Date: For taxes payable in 2012 and thereafter.

Agricultural Classification

First Special Session Chapter 7, Article 5, section 6

Amends section 273.13, subdivision 23 as amended by Laws 2011, chapter 112, article 11, section 8

This section adds language to a provision passed during the 2011 regular session allowing for the agricultural classification on property licensed under section 97A.105 that is used to breed game birds and waterfowl. Language is clarified, and a requirement has been added that the owner submit a copy of the most recent Schedule F (farm income report) to the assessor along with the annual licensing report to qualify for the 2a agricultural classification.

Effective Date: For taxes payable in 2012 and thereafter.

Class 4

Class 4c(1) Seasonal Residential Recreational Property, Commercial First Special Session Chapter 7, Article 5, section 7

Amends section 273.13, subdivision 25

This provision makes changes to the types of properties that may be class 4c(1) commercial seasonal residential recreational properties. Under 2010 statutes, to be a 4c(1) commercial resort, a property must:

1. not be used commercially for more than 250 days;
2. contain three or more rental units;
3. provide recreational activities;
4. have at least 40% of gross lodging receipts come from 90 consecutive days; *and*
5. either
 - a. 60% of all paid bookings must be for periods of at least two consecutive nights, or
 - b. 20% of annual gross receipts must be from charges for providing recreational activities.

None of those requirements has been changed or modified. However, new language in this section now allows for property to qualify for the 4c(1) commercial resort classification if the business:

1. is not used commercially for more than 250 days;
2. contains three or more rental units;
3. contains 20 or fewer rental units; and
4. is located in a city or township with a population less than 2,500 located outside of the metropolitan area that contains a portion of a state trail administered by the Department of Natural Resources.

In other words, the businesses located in these specific townships or cities do not need to verify through receipts either the seasonal or recreational components. All other resort-type properties not meeting these requirements must meet the former requirements as noted above.

History: This provision was targeted at seasonal inn properties located in the city of Lanesboro. Other communities that may be affected would be located along the Paul Bunyan/Heartland trails, Arrowhead trail, as well as Gitch-Gami, North Shore, Glacial Lakes, Root River/Harmony-Preston, and Sakatah trails. A map of trails managed by the DNR is available on the Minnesota DNR website.

Effective Date: For taxes payable in 2012 and thereafter.

**Class 4c(12) Seasonal Residential Recreational Property, Non-Commercial
First Special Session Chapter 7, Article 5, section 7**

Amends section 273.13, subdivision 25

In addition to the changes made above to the 4c(1) classification, non-commercial seasonal residential recreational properties (e.g., cabins) were separated into class 4c(12) for clarification purposes. Requirements and class rates for non-commercial seasonal residential recreational properties remain unchanged; however, for purposes of clearer statute these properties were recodified as 4c(12) instead of as non-commercial class 4c(1).

Effective Date: For taxes payable in 2012 and thereafter.

Tax-Forfeited Lands

Government Acquisitions

Conditional Use Deeds - Conveyance to public entities Chapter 112, Article 7, section 4

Amends Minnesota Statutes, section 282.01, subdivision 1a

This technical clarification changes the term "amenities" to "improvements" as it relates to use deeds for parks to limit potential disagreements over what constitutes an amenity. Language passed in 2010 was not intended to be an exhaustive or exclusive list of either amenities or improvements, but this language is better representative of how the provision is understood. This was a department technical recommendation.

Effective Date: Day following final enactment.

Conditional Use Deeds - Deed of Conveyance; Form; Approvals Chapter 112, Article 7, section 5

Amends Minnesota Statutes, section 282.01, subdivision 1c

These are department technical changes, clarifying which of the new restrictions and allowances enacted in 2010 apply to use deeds, both before and after the effective date of those laws.

Effective Date: Day following final enactment.

Conditional Use Deeds - Reverter for Failure to Use; Conveyance to State Chapter 112, Article 7, section 6

Amends Minnesota Statutes, section 282.01, subdivision 1d

These were department technical changes, clarifying that the 30-year limit on the reversionary clause applies to deeds issued before the effective date of the referenced subdivision and paragraph (i.e. July 1, 2010). This provision also provides a 15-year limit on how long a political subdivision may keep these properties for a planned future use.

Effective date: Day following final enactment.

Conditional Use Deeds - Completion of Sale, Fee, Conveyance Recorded Chapter 112, Article 7, section 7

Amends Minnesota Statutes, section 282.014

This was a department technical correction, adding to the deed fees provisions some explicit references to deeds that do not clearly have a "purchaser" (use deeds; failure to convey; targeted community; quit claim deeds after 15 years; and easements to DNR). This provision clarifies that the \$25 deed fee applies to free conveyance options. Use deeds and replacement deeds are exempted because they have separate, specific provisions.

Effective Date: For deeds executed by the commissioner of revenue after June 30, 2011.

Conditional Use Deeds - All Minerals Reserved Chapter 112, Article 7, section 8

Amends section 282.12

This was a technical recommendation by the department, clarifying that minerals are reserved to the state in transactions of tax forfeited lands, even if it is not a traditional sale.

Effective Date: Retroactively from July 1, 2010.

Alternative Taxation/Payment in Lieu

PILT

Report on Payment in Lieu of Tax for State Natural Resources Land First Special Session Chapter 2, Article 4, section 35

Adds an uncodified provision

This provision requires DNR, in consultation with Department of Revenue, Minnesota Management and Budget, and stakeholders, to report to the legislature with recommendations for changes to consider for payment in lieu of tax on natural resource land. The report is required to be presented to the legislature by December 1, 2012.

Effective Date: August 1 following the day of final enactment.

PILT Payments First Special Session Chapter 7, Article 6, section 1

Amends section 97A.061, subdivision 1

This provision removes the inflation adjustment to the per acre PILT payments on public hunting lands and game refuges.

Effective Date: For aids payable in 2011 and thereafter.

Terms First Special Session Chapter 7, Article 6, section 19

Amends section 477A.11, subdivision 1

This provision removes a cross reference to the inflation factor for PILT payments which was repealed in section 27.

Effective Date: For aids payable in 2011 and thereafter.

Repealer**First Special Session Chapter 7, Article 6, section 27**

REPEALS section 477A.145

The inflation factor used to adjust PILT payments is repealed.

Effective Date: For taxes paid in 2012 and thereafter

Types of Land; Payments**First Special Session Chapter 7, Article 6, section 20**

Amends section 477.12, subdivision 1

Due to the repeal of the inflation factor, payments of lieu of taxes on natural resource land have been codified at adjusted rates as follows:

- \$5.133 per acre or 0.75% of assessed value of all acquired natural resource land in the county;
- \$1.283 per acre for county-administered other natural resource land and land utilization land; and
- \$0.642 per acre for commissioner-administered other natural resource land located in each county as of July 1 of each year prior to the payment year.

Effective Date: For aids payable in 2011 and thereafter.

General Distribution**First Special Session Chapter 7, Article 6, section 21**

Amends section 477A.14, subdivision 1

Due to the repeal of the inflation factor, permanent allocation rates have been assigned for the distribution of PILT payments to the county and townships.

Effective Date: For aids payable in 2011 and thereafter.

Truth in Taxation

Published Notices

Notice of Valuation and Classification **First Special Session Chapter 7, Article 5, section 5**

Amends section 273.121, subdivision 1

This section updates the requirements for annual value notices. The provision removes a reference to limited market value, and a requirement to note whether a property may qualify for the This Old House exclusion program. The amended language also requires that if the classification of the property has changed between the current and prior assessment years, a specific note must be “prominently listed” on the notice.

Effective Date: For notifications for taxes payable in 2013 and thereafter.

Property Tax Collection and Distribution

Property Tax Collection

Contents of Tax Statements **First Special Session Chapter 7, Article 6, section 7**

Amends section 276.04, subdivision 2

This provision modifies the requirements for the contents of tax statements in accordance with the repeal of the homestead market value credit. The market value credit will now be listed as a market value exclusion on the property tax statement.

Effective Date: For taxes payable in 2012 and thereafter.

Property Tax Statement, Market Value Homestead Credit **First Special Session Chapter 7, Article 6, section 24**

Adds an uncodified provision

For taxes payable in 2012 only, the gross tax amount shown for the previous year is the gross tax minus the residential homestead market value credit. The homestead market value credit will not be explicitly shown for 2011.

Effective Date: For taxes payable in 2012 only.

Property Tax Refund

Rent Constituting Property Tax First Special Session Chapter 7, Article 6, section 8

Amends section 290A.03, subdivision 11

This provision changes the percentage used to determine property taxes payable on rental property from 19 percent of the gross rent paid to 17 percent.

Effective Date: For claims based on rent paid in 2011 and following years.

Renter Property Tax Refund, Manufactured Homes First Special Session Chapter 7, Article 6, section 9

Amends section 290A.03, subdivision 13

This section changes the percentage used to determine property taxes payable on the site of manufactured homes from 19 percent to 17 percent.

Effective Date: For claims based on rent paid in 2011 and following years.

Homeowners Property Tax Refund First Special Session Chapter 7, Article 6, section 10

Amends section 290A.04, subdivision 2

This section updates the schedule for the homeowner's property tax refund; increases the maximum refund amount to \$2,460; changes income ranges for calculating refunds; decreases the copay amount for income levels between \$10,880 and \$93,239; and updates the maximum income threshold.

Effective Date: Beginning with refunds based on taxes payable in 2012.

Property Tax Refund; Inflation Adjustment
First Special Session Chapter 7, Article 6, section 11

Amends section 290A.04, subdivision 4

This section updates the annual inflation adjustment for income brackets and maximum refunds amounts for the homeowner's property tax refund. This is related to changes made in article 6, section 10 described above. The inflation adjustments for the renter's refund remain unchanged.

Effective Date: For refunds based on taxes payable in 2013.

Delinquency and Forfeiture

Interest When Land Not in Use Chapter 112, Article 7, section 9

REPEALS section 281.37

This section prescribed an interest rate to apply to delinquent taxes in cases where the land had erroneously not been placed on the current year's delinquent tax list; but that conflicted with the more recent interest provisions in section 279.03, subdivision 1a , paragraph (a).

Effective Date: Day following final enactment.

Miscellaneous

Referendum Market Value First Special Session Chapter 7, Article 5, section 1; and First Special Session Chapter 7, Article 6, section 2

Amend section 126C.01, subdivision 3

The provision in article 5, section 1 updates the reference to “noncommercial 4c(1)” properties in the description for referendum market value purposes. The renumbered 4c(12) classification for non-commercial seasonal residential recreational properties (e.g. cabins) is used instead. This relates to the language amending class 4c(1) and creating a separate classification as 4c(12) for non-commercial seasonal residential recreational property in article 5, section 7.

The provision in article 6, section 2 clarifies that, in the case of classes 1a, 1b, and 2a property, “market value” means the value prior to the homestead market value exclusion is applied. This exclusion is created by article 6, section 3, but it does not reduce the referendum market value for school operating referendum levies.

Additional Information: Referendum market value generally equals the taxable market value of all taxable property, excluding property classified as class 2 (ag/rural land), 4c(4) (student housing), or 4c(12) (noncommercial seasonal residential recreational or “cabins”). The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. However, in regards to the newly-created homestead market value exclusion created in article 6, section 3, in the case of class 1a, 1b, or 2a property, the market value used to determine referendum market value is the value prior to the homestead market value exclusion. Note, however, that any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent, shall have a referendum market value equal to its market value (either the taxable market

value or the market value prior to the homestead market value exclusion, whichever is appropriate) multiplied by its class rate, multiplied by 100.

For example, a residential homestead property with an estimated market value of \$100,000 would receive an exclusion of \$28,240 resulting in a taxable market value of \$71,760. The referendum market value is equal to the market value prior to the homestead market value exclusion (or the taxable market value plus the market value homestead exclusion amount), which in this case is \$100,000.

Effective Date: Both sections are effective for taxes payable in 2012 and thereafter.

Property Tax Working Group
First Special Session Chapter 7, Article 5, section 2

Amends section 270C.991, subdivision 4

This provision modifies the makeup of the property tax working group that was originally created by 2010 legislation by removing the Commissioner of Revenue from the list of members of the working group. The group's report to the Legislature is now due February 1, 2013.

Effective Date: The day following final enactment.

Computation of Net Property Taxes
First Special Session Chapter 7, Article 6, section 6

Amends section 273.1393

This provision removes a reference to the repealed homestead market value credit. With the conversion of the homestead market value credit to the homestead market value exclusion, the market value credit is removed from the list of credits that are subtracted from a property's gross tax to yield the net tax.

Effective Date: For taxes payable in 2012 and thereafter.

State General Levy
First Special Session Chapter 7, Article 5, section 9

Amends section 275.025, subdivision 3

This provision updates a cross-reference to reflect the change in classification for non-commercial seasonal residential recreational (cabin) properties from 4c(1) non-commercial to the newly-created class 4c(12). This provision is related to article 5, section 7. Class 4c(12) property is still subject to the state general levy.

Effective Date: For taxes payable in 2012 and thereafter.

Maintenance of Effort Requirements
First Special Session Chapter 7, Article 5, section 10

Adds section 275.761

This provision reduces county and city maintenance of effort (MOE) requirements for regional libraries and county requirements for various health and human service programs to 90 percent of the amounts required for 2011. The MOE reduction cannot result in an increase in state costs or a reduction in federal funding.

Effective Date: For MOE requirements in 2012 and thereafter.

Alternate Process for Consolidation
First Special Session Chapter 7, Article 6, section 13

Adds section 373.51

This provision permits an alternate method for counties to begin the process of consolidation, allowing counties to begin this process after a unanimous resolution from each county board has been filed with the secretary of state. Prior law required each county to obtain a petition signed by 25 percent of voters in the last general election.

Effective Date: The day following final enactment.

Bonding for Countywide Public Safety Improvements and Equipment
Chapter 112, Article 11, section 12

Amends section 383E.21

The section makes five changes to the authority for Anoka County to incur debt under this statute:

- It expands the purposes for which bonds may be issued to include any countywide public safety improvements and equipment acquisition.
- It converts the cap on the total amount of bonds that may be issued from \$12.5 million to a limit on the outstanding principal amount of \$8 million. This will permit additional issuance of bonds, so long as no more than \$8 million are outstanding at any one time, while existing law would eliminate the ability to issue bonds under this authority once \$12.5 million in bonds have been issued.
- It requires the Anoka County Joint Law Enforcement Council (a joint powers board established in 1970 that includes representatives of law enforcement, city councils, and the county board) to approve issuance of any debt for public safety purposes;
- It excludes debt issued under the special law from the county's net debt limits.
- It extends the county's authority to issue debt under this law so it expires January 1, 2024, instead of in 2012 (ten years after the county first issued debt under this law).

Effective Date: August 1 following final enactment.

Stream Easements Chapter 3, section 1

Amends section 84.0272, subdivision 2

This provision modifies the formula for calculation of stream easements to conform to current Department of Revenue reporting categories on its annual spring mini abstract. It replaces farm and timberland values with agricultural, rural vacant land, and managed forest land values. This provision also provides flexibility for the Commissioner of Natural Resources to adapt to Department of Revenue changes in its reporting groups.

Effective Date: August 1 following final enactment.

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Class	Description	Tiers	Class Rate	State Rate
1a	Residential Homestead	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
1b	Blind/Disabled Homestead	First \$50,000	0.45%	N/A
1c	Ma & Pa Resort	First \$600,000	0.50%	N/A
		\$600,000 - \$2,300,000	1.00%	N/A
		Over \$2,300,000	1.25%	1.25%
1d	Migrant Housing (structures only)	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
2a	Homestead House, Garage, and First Acre (HGA)	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
2a/2b	Agricultural Homestead First Tier	First \$1,210,000	0.50%	N/A
2a/2b	Farm Entities Excess First Tier	Unused First \$1,210,000	0.50%	N/A
2a	Agricultural Land (non-homestead or in excess of first tier)		1.00%	N/A
2b	Rural Vacant Land		1.00%	N/A
2c	Managed Forest Land		0.65%	N/A
2d	Private Airport		1.00%	N/A
2e	Commercial Aggregate Deposit		1.00%	N/A
3a	Commercial/Industrial	First \$150,000	1.50%	1.50%
		Over \$150,000	2.00%	2.00%
		Electric Generating Public Utility Machinery	2.00%	N/A
		All Other Public Utility Machinery	2.00%	2.00%
	Transmission Line Right-of-Way	2.00%	2.00%	
3b	Employment Property (BCDZ)	First \$150,000	1.50%	1.50%
		Over \$150,000	2.00%	2.00%
4a	Apartment/ Residential Non-Homestead 4+ Units		1.25%	N/A
4b(1)	Residential Non-Homestead 1-3 Units		1.25%	N/A
4b(2)	Unclassified Manufactured Home		1.25%	N/A
4b(3)	Agricultural Non-Homestead Residence (2-3 units)		1.25%	N/A
4b(4)	Unimproved Residential Land		1.25%	N/A
4bb(1)	Residential Non-Homestead Single Unit	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
4bb(2)	Agricultural Non-Homestead Single Unit	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
4c(1)	Seasonal Residential Recreational Commercial (resort)	First \$500,000	1.00%	1.00%
		Over \$500,000	1.25%	1.25%
4c(2)	Qualifying Golf Course		1.25%	N/A
4c(3)(i)	Non-Profit Community Service Org. (non-revenue)		1.50%	N/A
4c(3)(ii)	Non-Profit Community Service Org. (donations)		1.50%	1.50%
4c(4)	Post-Secondary Student Housing		1.00%	N/A
4c(5)(i)	Manufactured Home Park		1.25%	N/A
4c(5)(ii)	Manufactured Home Park (>50% owner-occupied)		0.75%	N/A
4c(5)(ii)	Manufactured Home Park (50% or less owner-occupied)		1.00%	N/A
4c(6)	Metro Non-Profit Recreational Property		1.25%	N/A
4c(7)	Certain Non-Comm. Aircraft Hangars and Land (leased land)		1.50%	N/A
4c(8)	Certain Non-Comm. Aircraft Hangars and Land (private land)		1.50%	N/A
4c(9)	Bed & Breakfast		1.25%	N/A
4c(10)	Seasonal Restaurant on a Lake		1.25%	N/A
4c(11)	Marina	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
4c(12)	Seasonal Residential Recreational Non-Commercial (cabin)	First \$76,000	1.00%	0.40%
		\$76,000 - \$500,000	1.00%	1.00%
		Over \$500,000	1.25%	1.25%
4d	Qualifying Low-Income Rental Housing		0.75%	N/A
5(1)	Unmined Iron Ore and Low-Grade Iron-Bearing Formations		2.00%	2.00%
5(2)	All Other Property		2.00%	N/A