

MINNESOTA · REVENUE

2013 Property Tax Law Summary



*Minnesota Department of Revenue
Property Tax Division
2013 Regular Session Laws*

MINNESOTA • REVENUE

Date: July 18, 2013
To: All Property Tax Administrators
From: John Hagen, Director – Property Tax Division
Subject: 2013 Property Tax Law Summary

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 2013 session of the Minnesota Legislature. The tax bill was signed into law on May 23, 2013.

The *Property Tax Law Summary* provides property tax administrators and their service organizations with an organized and condensed source of information about this year's legislative changes that affect property tax laws. **Please make note of the many changes that are effective for the 2013 assessment, for taxes payable in 2014.**

Except for a few cases that may involve the Department of Revenue, this 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 at 651-582-8566.

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. The division wishes to acknowledge the contributions of the department's Appeals and Legal Services Division, Minnesota House and Senate Research staff, and all others who provided invaluable information in developing this new law summary.

Of course, we could not do the work that we do without the help of property tax administrators statewide. The work that you do to implement property tax laws and to fairly and equitably administer property taxes is not unnoticed. We thank you sincerely.

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

Assessor Sanctions; Refusal to License Chapter 143, Article 4, section 8

Amends section 270.41, subdivision 3

This section provides that the State Board of Assessors may censure, warn, or fine an assessor for cases of misfeasance, malfeasance, or nonfeasance. These sanctions are in addition to the currently-available sanctions that include suspension, revocation, or refusal to grant a license. The sanctions may also be against a non-licensed individual who is employed by, or who contracts with, an assessment jurisdiction to value or classify property for property tax purposes.

This also requires that a written warning be given to assessors who have no prior identified infractions. The warning must also include expectations of future performance and behavior.

When appropriate, fines must not exceed \$1,000 for the first occurrence, and must not exceed \$3,000 for subsequent occurrences. Suspensions are not to exceed one year. Fines will be deposited into the state general fund, as provided in Article 4, section 10.

Contested sanctions are subject to review under Minnesota Statutes, Chapter 14 (Administrative Procedure).

This section is in addition to the provisions of section 273.21 (“Neglect by Auditor or Assessor; Penalty”), which provides:

“Every county auditor and every town or district assessor who in any case refuses or knowingly neglects to perform any duty enjoined by this chapter, or who consents to or connives at any evasion of its provisions whereby any proceeding required by this chapter is prevented or hindered, or whereby any property required to be listed for taxation is unlawfully exempted, or entered on the tax list at less than its market value, shall, for every such neglect, refusal, consent, or connivance, forfeit and pay to the state not less than \$200, nor more than \$1,000, to be recovered in any court of competent jurisdiction.”

Effective Date: Beginning July 1, 2013.

Report on Disciplinary Actions Chapter 143, Article 4, section 9

Amends section 270.41, by adding subdivision 3a

By February 1 of each odd-numbered year (e.g., 2015, 2017, etc.), the State Board of Assessors must publish a report to the House and Senate Taxes committees on the number and types of disciplinary action recommended to the board by the Commissioner of Revenue. The board must also report its disposition of those recommendations. This law coincides with changes to assessor sanctions made in Article 4, section 8.

Effective Date: Beginning July 1, 2013.

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**Disposition of Fees and Fines
Chapter 143, Article 4, section 10**

Amends section 270.45

This section clarifies that fines imposed under the changes made to section 270.41, subdivision 3 (under Article 4, section 8 - Assessor Sanctions) are to be deposited to the state general fund.

Effective Date: Beginning July 1, 2013.

**Assessor Accreditation
Chapter 143, Article 4, section 11**

Adds section 270C.9901

This new section requires that all individuals who appraise or physically inspect property for the purpose of determining valuation or classification for property taxes must obtain Accredited Minnesota Assessor (AMA) licensure by July 1, 2019, or four years after that person becomes licensed as a Certified Minnesota Assessor (CMA), whichever is later.

In other words, all current CMAs who appraise or physically inspect property for the purpose of determining valuation or classification for property taxes must obtain AMA licensure by July 1, 2019. Individuals who receive CMA licensure after July 1, 2015 will have four years to obtain AMA licensure.

Effective date: Beginning January 1, 2014.

**Commissioner of Revenue Review of Assessment Practices
Chapter 143, Article 4, section 16**

Amends section 273.0645

This provision allows a County Assessor to file a written complaint with the Commissioner of Revenue, detailing allegations of misfeasance, malfeasance, or nonfeasance of a local assessor. The commissioner must complete an investigation and recommend an appropriate action to the State Board of Assessors.

This also allows the Commissioner of Revenue to conduct such an investigation without a written complaint from a county assessor.

Effective Date: July 1, 2013.

**Prohibited Activity [Assessors]
Chapter 143, Article 17, section 3**

Amends section 270.41, subdivision 5

This section modifies the list of non-tax property appraisals that assessors may perform within their jurisdictions, allowing county assessors to do appraisals related to land exchanges.

History: Minnesota Statutes, section 373.01, subd. 1 was amended in 2011 to give county assessors authority to value property acquired through land exchanges. Section 270.41, subd. 5 contains a list of prohibited activities for assessors and includes exceptions for condemnations, right-of-way acquisitions, and special assessments. It was determined that land exchanges should be included in this list of exceptions to the prohibition. This was a Department of Revenue proposal and coincides with the change to section 373.01 under Article 17, section 17.

Effective Date: The day following final enactment.

**Definitions [“Person”]
Chapter 143, Article 17, section 7**

Amends section 272.03, subd. 9

This provision defines a “person,” for property tax purposes, to include an individual, association, estate, trust, partnership, firm, company, or corporation. This is a technical provision that was recommended by the Department of Revenue to match our understanding of what “person” includes for property tax purposes.

Effective Date: The day following final enactment.

**Public Corporation; Listed Powers [Assessor Authority to Value Land Exchanges]
Chapter 143, Article 17, section 17**

Amends section 373.01

This language clarifies that county assessors need not be licensed as real estate appraisers in order to do land exchange appraisals. This section was a Department of Revenue recommendation and coincides with the change to section 270.41, subdivision 5 under Article 17, section 3.

Effective Date: Effective the day following enactment.

State Assessed Property

Taxes Credited to State Airports Fund Chapter 143, Article 17, section 2

Amends section 270.077

This section clarifies that the airline flight property tax will be collected by the Department of Revenue, and then credited to the state airports fund.

History: The Department of Revenue is responsible for the valuation of the airline flight property tax and sending a bill to the airlines, but the payments were previously sent to the Department of Transportation's Office of Aeronautics. This process needed to be updated for the Department of Revenue's new tax management software (GenTax). This was a Department of Revenue proposal that was agreed to by the Department of Transportation.

Effective Date: The day following final enactment.

Authority [Abatement of Penalty, Interest, and Additional Tax Charge] Chapter 143, Article 17, section 4

Amends section 270C.34, subdivision 1

This section extends the Commissioner of Revenue's ability to grant an abatement of a late payment penalty under appropriate circumstances. This coordinates with change in Article 17, section 2 that makes airline flight property tax collected by the Commissioner of Revenue.

History: Section 270C.34 authorizes the Commissioner of Revenue to abate penalty, interest, and additional tax charges for airline flight property tax, including penalty or interest due as a result of late filing. This statute mentions late *payments*, but does not cite the statute that imposes the *penalty and interest* for late payment (M.S. 270.075 subd. 2) for airline flight property tax. It was determined that the commissioner should have the authority to abate late-payment penalties (if paid to the commissioner), just as for late-filing penalties. This was a Department of Revenue proposal.

Effective Date: The day following final enactment.

Administrative Appeals [Utility or Railroad Valuations] Chapter 143, Article 17, section 11

Amends section 273.372, subdivision 4

This section extends the deadline for filing for administrative appeals for railroad and utility valuations as assessed by the Department of Revenue to the earlier of 10 days from the valuation or:

- June 15 for railroads
- July 1 for utilities

Formerly the deadline was 10 days after the date of the valuation or May 15, whichever was earlier.

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History: The deadline for determining railroad operating property valuations is June 30. The statutory deadline for determining the valuations for utility operating property was changed in 2009 from June 30 to August 1 for utilities (M.S. 273.33, subd. 2 and 273.37, subd. 2). This change gives the commissioner more time to do the work and allows counties to review values before they are finalized. This was a Department of Revenue proposal.

Effective Date: This section is effective beginning with assessment year 2014.

Rural Area [Definition]

Chapter 143, Article 17, section 12

Amends section 273.39

This section removes an obsolete reference to “incorporated cities” and replaces it with “statutory or home rule charter cities” in the definition of rural area as used in sections 273.39 to 273.41, which deal with the annual tax on rural electric associations in lieu of property tax.

History: The term “incorporated city” does not fully describe the areas to be excluded from the definition of “rural area” for purposes of excluding property of rural electric associations from annual property tax in section 273.40. “Incorporated cities” is an obsolete term. Since 1975, the correct term is “statutory cities” or “home rule charter cities” (see section 412.018). This was a Department of Revenue proposal.

Effective Date: The day following final enactment.

Exempt Property

Manufactured Homes and Park Trailers

Chapter 143, Article 4, section 6

Amends section 168.012, subdivision 9

This language exempts manufactured homes and park trailers from property tax if held as inventory by a limited dealer.

History: Currently, the inventory exemption applies only to “licensed dealers”, which has been redefined in section 13. This new language adds the inventory exempted to “limited dealers” as well.

Effective Date: Taxes payable 2014 and thereafter.

Manufactured Home as Dealer Inventory
Chapter 143, Article 4, section 7

Adds subdivision 9a to section 168.012

This language clarifies the definition of manufactured home dealer inventory. Under this language, a manufactured home is exempted as inventory if:

- It is listed as inventory and held by a licensed or limited dealer;
- It is unoccupied and not available for rent;
- It is connected or not connected to utilities when located in a manufactured home park or at a dealer's sales center.

This language also places a 5-year limit (assessment years) on the time that an unoccupied home held in inventory may be exempt.

Effective Date: Taxes payable 2014 and thereafter.

Exempt Property Used by Private Entity for Profit
Chapter 143, Article 17, section 5

Amends section 272.01, subdivision 2

This clarifies that taxes on land owned by the federal government that are leased, loaned, or otherwise made available to a private entity are taxable to the lessee. This coincides with a change made to section 273.19 in Article 17, section 10. Previously, "federal government" was not listed in this section, although we have always administered leased federal government land in this manner. This clarifies that those taxes imposed are *in personam* taxes, and not a lien against the federally-owned property. This provision was a Department of Revenue recommended technical change.

Effective Date: The day following final enactment.

Economic Development; Public Purpose
Chapter 143, Article 4, section 12

Amends section 272.02, subdivision 39

This provision increases the allowable time that a jurisdiction may hold property awaiting development off the tax rolls from 9 years to 15 years under two scenarios:

1. property acquired after January 1, 2000 and before December 31, 2010 and located in a city; or
2. property located in a city with a population under 20,000 located outside the metro area.

Under 2012 law, the allowable period was 15 years for properties located in cities with populations under 5,000 located outside the metro area, and nine years for all other properties. For properties in cities with population of over 20,000 and for properties that were acquired before January 1, 2000 or after December 31, 2010, the limit is still nine years.

Effective Date: Assessment year 2013 and thereafter for taxes payable and 2014 and thereafter.

**Certain Property Owned by Indian Tribe
Chapter 143, Article 4, section 13**

Amends section 272.02 by adding subdivision 98

This language creates a property tax exemption for certain property located in Minneapolis owned by a federally-recognized tribal government if the property is used for tribal purposes or as an institution of purely public charity (as described in section 272.02, subd. 7). A “tribal purpose” is defined as a public purpose and includes noncommercial tribal government activities.

The exemption applies only to property used for non-commercial tribal government purposes. Property that is acquired for single-family housing, market-rate apartments, agriculture, or forestry does not qualify for this exemption.

The language also limits the exemption to no more than two contiguous tax parcels, and the structures must not exceed in aggregate 20,000 square feet. The exemption expires with taxes payable in 2024.

Effective Date: Taxes payable 2014.

**Electric Generation Facility; Personal Property
Chapter 143, Article 4, section 14**

Amends section 272.02 by adding subdivision 99

This section creates a new exemption from property tax for attached machinery and other personal property which is part of an electric generation facility for which construction begins between June 1, 2013, and June 1, 2017, that exceeds 5 megawatts of installed capacity, utilizes natural gas as a primary fuel, is owned and operated by a municipal power agency, is located within the service territory of a municipal power agency’s utility that serves a metropolitan county, and connects directly with a municipality’s substation.

This section targets a proposed series of electric generation facilities to be installed at existing substations of a Minnesota Municipal Power Agency in the cities of Anoka, Chaska, North St. Paul, and Shakopee.

Effective Date: This section is effective for assessment year 2013, taxes payable in 2014, and thereafter.

**Tax-Exempt Property; Lease
Chapter 143, Article 17, section 10**

Amends section 273.19, subdivision 1

This item clarifies that the tax applied to leased exempt property includes property owned by a local unit of government. This coincides with changes to section 272.01 in Article 17, section 5. Now, both section 273.19 and section 272.01 cover cases where exempt property is held by a unit of government at all levels: federal, state, or local. Previously, “any... political subdivisions” of a state were not included in this section, though we had always administered this section in that manner. This was a Department of Revenue recommended technical change.

Effective Date: The day following final enactment.

**St. Paul Ballpark Property Tax Exemption; Special Assessment
Chapter 143, Article 4, section 41**

Uncodified provision

This section grants a property tax exemption for a city-owned ballpark in St. Paul that is primarily used by a minor league baseball team (i.e., a ballpark for the St. Paul Saints). The ballpark remains subject to special assessments levied for local improvement in amounts proportionate to the special benefit received by the properties from the improvement. No use other than as a ballpark may be considered when determining special benefit received.

Additionally, language is included that exempts real or personal property subject to a lease or use agreement between the city and another person for uses related to the operation of the ballpark and related parking facilities. This does not apply to property that is used for residential, business, or commercial development or other purposes different from those necessary to the operation of the ballpark.

This language requires local approval.

Effective Date: This section is effective the day after compliance by the governing body of the city of St. Paul with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Public Entertainment Facility; Property Tax Exemption; Special Assessment [Target Center]
Chapter 143, Article 4, section 42**

Uncodified provision

This section provides a property tax exemption for property owned, leased, controlled, used, or occupied by the city of Minneapolis for the primary purpose of providing an arena for a professional basketball team (i.e., Target Center). The exemption does not apply to any portion of the facility leased for business purposes unrelated to the operation of the arena, including a restaurant open more than 200 days a year. The property remains subject to special assessments levied for local improvement in amounts proportionate to the special benefit received by the properties from the improvement. No use other than as a professional basketball arena may be considered when determining special benefit received.

Additionally, language is included that exempts real or personal property subject to a lease or use agreement between the city and another person for uses related to the operation of the arena and related parking facilities. This does not apply to property that is used for residential, business, or commercial development or other purposes different from those necessary to the operation of the arena.

The exemption requires local approval.

Effective Date: This section is effective the day after compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Assessment Moratorium
Chapter 143, Article 4, section 46

Uncodified provision

This provision imposes a moratorium on changes in the property tax assessment of properties used in the production of biofuels, wine, beer, distilled beverages, or dairy products for taxes payable in 2014 and 2015 only. The moratorium is imposed and coincides with a study required under this same section detailing assessment practices and recommendations to improve assessment policy.

Under this language, assessors must continue to use the same assessment practices or policies for the 2013 and 2014 assessments that were in effect for the 2012 assessment to determine the taxable status of property used in the production of biofuels, wine, beer, distilled beverages, or dairy products. Assessors must not change the taxable status of any existing property from what it was on January 2, 2012, unless the change is due to a change in the use of property, or to correct an error.

For taxable properties, the assessor may change the estimated market value of the property and add value for any new construction or change in use that would have been taxable under practices and policies in place on January 2, 2012.

The moratorium expires on December 31, 2014. Any changes to the taxable status of the properties resulting from the required study will not be effective until the 2015 assessment.

History: A bill was introduced during the 2012 legislative session (HF 2742) that would have exempted “fermentation tanks and beer wells which are part of a biofuels production process, regardless of attachment to or installation in real property, and regardless of size, weight, or method of attachment or installation [i.e., whether they perform a shelter function or not].”

The Department of Revenue’s current interpretation is that equipment-like property that provides a shelter function is not exempt as personal property. In *Southern Minnesota Beet Sugar Coop v. County of Renville*, 2007 (737 N.W.2d 545), the state Supreme Court upheld the definition of taxable real property to include tanks, bins, and silos that had walls, a roof or ceiling, and floors that provided a shelter function. The court noted that the terms “real property” and “equipment” are not mutually exclusive, and therefore property may be considered “equipment”. However, the exterior shell is considered real property for property tax purposes if the equipment has been attached to or installed in real property; has an exterior shell that provides structural, insulation, or temperature control functions; or provides protection from the elements. In this specific case, the court found that the involved tanks, bins, and silos had walls, a roof/ceiling, and floors. The court held that the exterior shell performed a structural function of shelter from the elements. Members of the ethanol industry had concerns regarding the court case, and were part of the request for a property tax exemption during the 2013 legislative session. In the end, the Department of Revenue and affected industries agreed to the review of affected industries and a temporary moratorium on assessment changes.

Effective Date: July 1, 2013.

Exclusions/Value Limitations

Limited Market Value

Chapter 143, Article 17, section 18

REPEALS section 273.11, subdivision 1a

The limited market value (LMV) exclusion is repealed. The LMV law phased out with the 2008 assessment, for taxes payable in 2009, and has not been used since. Limited market value was often misunderstood and this specific valuation approach had results that were often characterized as unintended, including greater regressivity in property taxes.

Effective Date: The day following final enactment.

Special Valuations and Deferrals

Lead Hazard Market Value Reduction

Chapter 143, Article 17, section 18

REPEALS section 273.11, subdivision 22

The lead hazard market value reduction is repealed. The lead hazard reduction was effective for projects originating after July 1, 2005, but before July 1, 2010. The latest a property could have qualified for value reduction was assessment year 2012, for taxes payable 2013. This program was little-used. Because no new properties can qualify for the exclusion, the law is repealed.

Effective Date: The day following final enactment.

Additional Taxes [Rural Preserve]

Chapter 143, Article 17, section 8

Amends section 273.114, subdivision 6

This language makes transfers of ownership for properties enrolled in Rural Preserve treated the same way as transfers of ownership for properties enrolled in Green Acres. The state Green Acres law (Section 273.111, subdivision 11a) allows for continuation of tax deferral in certain transfer situations for Green Acres. Because the Green Acres and Rural Preserve programs are intended to work concurrently, Rural Preserve required updating so that these same specific transfers of ownership did not trigger payback of deferred taxes or reapplication:

1. Death of a property owner when the surviving owner(s) retain ownership of the property;
2. Divorce of a married couple when one of the spouses retains ownership of the property;
3. Marriage of a single property owner when that owner retains ownership in whole or in part;
4. The organization or reorganization of a farm entity if all owners maintain the same beneficial interest both before and after the organization or reorganization; and
5. Transfer of the property to a trust or trustee, provided that the individual owner(s) of the property are the grantors of the trust and they maintain the same beneficial interest both before and after placement of the property in trust.

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This provision also allows a new owner (after sale or transfer) 30 days to apply for continuation of Rural Preserve benefits before deferred taxes are calculated.

These changes make the Rural Preserve program work like Green Acres does in cases of sales or transfers of property. Without these changes, there would have been instances where a transfer of ownership did not require a calculation of deferred tax payback under Green Acres, but would have required it under Rural Preserve. This change was recommended by the Department of Revenue.

Effective Date: The day following final enactment.

Conservation Property Tax Valuation Chapter 143, Article 4, section 17

Amends section 273.117

This section provides that the value of real property subject to a conservation restriction or easement must not be reduced by the assessor if the restriction is for a conservation purpose and the property is being used in accordance with the restriction. Furthermore, this section does not apply to restrictions or easements covering riparian buffers along lakes, rivers and streams that are used for water quality, or to easements granted by a county that has adopted a program by referendum to protect farmland and natural areas since 1999.

This provision will be effective only for conservation easements entered into after the enactment of the bill*. Properties affected by this law change (i.e., those that are encumbered by an easement after May 23, 2013) will first have their values reflect the law change for the 2014 assessment, for taxes payable in 2015.

History: When initially enacted in 1981, this section provided that, under specific circumstances, a property subject to a conservation restriction “shall” be entitled to a reduced valuation. The language was amended in 2008 to provide that the value “may be adjusted” by the assessor if the requirements were met. The 2008 language made the reduced value permissive, rather than arbitrarily required. This new language prohibits a reduction in value.

Effective Date: For assessment year 2013 and thereafter, and for taxes payable in 2014 and thereafter [*but only for properties that enter into an easement after May 23, 2013].

Classification

Homesteads (1a and 2a)

Manufactured Home Park Cooperative Chapter 143, Article 14, section 27

Amends section 273.124, subdivision 3a

This item updates a cross-reference that referred to the recently-repealed homestead market value credit. This language now clarifies that a qualifying manufactured home park cooperative that qualifies as 4c(5)(ii) property is not eligible for homestead market value exclusion.

History: Initially, class 4c(5)(ii) property was not eligible for the homestead market value credit. The credit was repealed in 2011, and was replaced with a homestead market value exclusion. This language is now updated to reflect the change.

Effective Date: For taxes payable in 2013 and thereafter [retroactive].

Homestead Application [Penalties for claiming fraudulent homestead] Chapter 143, Article 14, section 28

Amends section 273.124, subdivision 13

This amended language clarifies that part of the penalty for fraudulently filing homestead includes calculating benefits received from the homestead market value exclusion. Previous language required the County Auditor to calculate benefits including the homestead market value credit, but the credit was repealed in 2011.

History: The homestead market value credit was repealed in 2011 and replaced with a homestead market value exclusion. This language updates section 273.124 to reflect the exclusion rather than the credit (which no longer exists).

Effective Date: For taxes payable in 2013 and thereafter [retroactive].

Agricultural (2a)

Class 2/Class 2a Agricultural Land Chapter 143, Article 17, section 9

Amends section 273.13, subdivision 23

This provision makes multiple changes to the agricultural classification:

1. The provision allows for agricultural classification on contiguous acreage used during the preceding year for intensive livestock or poultry confinement. In other words, to be considered

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class 2a agricultural land, property used for intensive livestock or poultry confinement does not need have 10 acres devoted to the confinement use. Property of any acreage used for intensive livestock or poultry confinement is considered class 2a agricultural land (i.e., the acres used for the confinement activity). The property may be homesteaded as agricultural land, but is not eligible for Green Acres unless it meets the minimum 10 acre requirement (M.S. 273.111).

2. This provision also clarifies that property qualifies for class 2a agricultural classification if it was enrolled in a conservation program for taxes payable in 2003, and the easement has remained on the property.
3. This section defines “contiguous acreage” for purposes of agricultural classification to mean:
 - a. all (or a contiguous portion) of a single tax parcel as described in M.S. 272.193; or
 - b. all (or a contiguous portion) of a set of contiguous tax parcels as described in that section that are owned by the same person.
4. This section allows for 2a agricultural classification for properties of less than 11 acres that are improved with a residential structure if those properties are used for: intensive grain drying or storage; intensive machinery or equipment storage; intensive nursery stock production; or intensive market farming production.

History: The changes related to livestock and poultry confinement make the use of intensive livestock or poultry confinement the driving characteristic to agricultural classification, rather than number of acres used for such purpose. It also reflects that these operations require significant capital investment and often generate considerable farm income. Additionally, various setback requirements and other considerations leave much land around these facilities as unfarmable. Due to the intensive agricultural production taking place on these properties, it had been argued that the property should qualify as agricultural regardless of the size of the individual tax parcel that the confinement facility is located on, or how many acres were devoted to the facility itself. Under previous law, a tax parcel must have been smaller than 10 acres in size to qualify as agricultural with an intensive livestock confinement, or the property must have had at least 10 contiguous acres used agriculturally. While these facilities do not use 10 contiguous acres, the input and output vastly exceeds that of 10 acres of tilled row corn, for example – which is granted the agricultural classification.

The change related to conservation easements clarifies that, for properties that were granted agricultural classification due to easement program enrollment for taxes payable in 2003, enrollment and classification must have been continuous since then. Without this change, a property that was in a conservation program for taxes payable in 2003 could have become agricultural, regardless of use since then. This change prevents a property from receiving the agricultural classification if, in the interim, it converted to a non-agricultural use.

The change related to agricultural classification on properties less than 11 acres in size improved with a residence corrects a potential issue for properties between 10 and 11 acres. Previously, these properties were unable to be classified as agricultural after subtracting one acre for the house, garage, and first acre (leaving less than 10 acres used agriculturally). Also, if the property was larger than 10 acres in size, it could not have qualified for the intensive farming provisions.

For example, if a property owner has a 10.5-acre parcel improved with a residence, one acre is subtracted for the house site. Under this provision, if the remaining 9.5 acres are used intensively for one of the defined purposes in law, it would still receive the agricultural classification. Under the

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wording of the previous law, there was no potential for agricultural classification of a property 10.1 to 10.9 acres in size – no matter how intensive the use of the property was.

These changes were recommended by the Department of Revenue.

Effective Date: For taxes payable in 2014 and thereafter.

Special Agricultural Homestead - Marshall County Flood Chapter 143, Article 4, section 38

Amends Minnesota Laws 2010, Chapter 389, Article 1, section 12

This section allows farmers in Marshall County who were forced to move away from their farms due to flooding in 2009 to continue to receive agricultural homestead classification on the farmland indefinitely, provided they continue to reside in Minnesota and within 50 miles of the land. This provision was originally adopted in 2010 on a temporary (two-year) basis.

History: Prior legislation provided a special agricultural homestead for class 2a homestead property located in Marshall County on a temporary, two-year basis. The property must have been class 2a homestead for the 2008 assessment year, but the homestead dwelling was abandoned due to the March 2009 floods. The affected property owner was to notify the county assessor that relocation was due to the 2009 floods. This language removes the two-year limit and allows for indefinite homestead as with other special agricultural homestead provisions related to floods.

Effective Date: Assessment year 2012, taxes payable 2013, and thereafter [retroactive].

Class 4

Class 4 [4bb] Property Chapter 143, Article 4, section 18

Amends section 273.13, subdivision 25

Paragraph (c) of subdivision 25 was amended to eliminate the two separate property tax classifications 4bb(1) and 4bb(2), so that there is one single 4bb classification. Class 4bb property now includes:

- Non-homestead residential real estate containing one unit, other than seasonal residential recreational property; and
- a single family dwelling, garage, and surrounding one acre of property on a non-homestead farm.

The classification rates are unchanged, and the qualifying properties are the same. There is simply no longer a distinction between class 4bb(1) and 4bb(2).

History: Both classes were reported as the same item on property tax abstracts. It seemed unnecessary to maintain two separate classifications for what is essentially the same type of property: a non-homesteaded residence. This was a Department of Revenue recommendation.

Effective Date: Assessment year 2014, taxes payable 2015.

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Class 4 [4d] Property
Chapter 143, Article 4, section 18

Amends section 273.13, subdivision 25

This section amends the class rate for each unit of class 4d low-income rental housing that exceeds the “first tier” amount. The class rate is reduced from 0.75 percent to 0.25 percent on the value exceeding the first tier (\$100,000 taxable market value in assessment year 2014) for each unit. In subsequent years, the first-tier limit will be adjusted by the average statewide change in estimated market value of property classified as class 4a apartments and 4d low-income rental housing properties, excluding valuation change due to new construction. The resultant value will be rounded to the nearest \$1,000, provided the first-tier limit may never be less than \$100,000. The Commissioner of Revenue will certify the limit each November 1 for the upcoming assessment year.

History: As the values of low-income rental properties increase, so do the property taxes. Owners of low-income rental properties are capped on the amount of rent they can charge their tenants. Therefore, low-income rental property owners are unable to recoup or pass along the increased property taxes owed. The low-income rental property owners, along with the low-income rental industry, brought this concern to the Legislature.

Effective Date: Assessment year 2014, taxes payable 2015.

Property Tax Aids & Credits

County Program Aid

Mahnomen County Aid Appropriation Chapter 143, Article 2, section 33

Amends Laws 2006, Chapter 259, Article 11, section 3, as amended by Laws 2008, Chapter 154, Article 1, section 4

This section creates a permanent annual appropriation of \$1.2 million to compensate for the loss of property tax revenue related to the trust conversion application of the Shooting Star Casino. Beginning in 2013, The Department of Revenue must make the following payments by July 20 of each year:

- \$900,000 to the county of Mahnomen
- \$160,000 to the city of Mahnomen
- \$140,000 to ISD 432 Mahnomen

Effective Date: Aids payable in calendar year 2013 and thereafter.

Counties [County Aid Appropriations] Chapter 143, Article 2, section 19

Amends section 477A.03, subdivision 2b

This provision increases county program aid by \$40 million for aids payable in 2014. This figure includes a \$20 million increase in county need aid (from \$80,795,000 to \$100,795,000) and a \$20 million increase in county tax base equalization aid (from \$84,909,575 to \$104,909,575.)

Effective Date: Aid payable calendar year 2014 and thereafter.

Local Government Aid

Pre-1940 Housing Percentage [Local Government Aid] Chapter 143, Article 2, section 7

Amends section 477A.011, subdivision 30

This section clarifies the definition of “pre-1940 housing percentage,” which is used as a factor in the Local Government Aid (LGA) formula. The percentage of housing units built before 1940 will be determined by the count from the 2010 United States Census (1990 for East Grand Forks), and will include occupied and vacant housing units.

History: The LGA program was created in 1971. It was originally designed to distribute funds to the counties, who in turn distributed funds to other local government units. Over the years, the formula had become more complex and LGA funding became less predictable, making budgeting by local units of

government more challenging. A Local Government Aid Study Group was appointed in 2009 and re-appointed in 2011 to recommend changes in the Local Government Aid program. The LGA Study Group included members of the Legislature and representatives of local units of government. The group focused their work on making the LGA program simpler, more equitable, and more stable. The 2013 legislative changes in the LGA program were based on the recommendations of the LGA Study Group.

Effective Date: For aids payable in calendar year 2014 and thereafter.

**Percent of housing built between 1940 and 1970 [Local Government Aid]
Chapter 143, Article 2, section 8**

Amends section 477A.011 by adding subdivision 30a

This adds a new housing variable to the LGA formula, the “percent of housing built between 1940 and 1970.” The percentage of housing units built between 1940 and 1970 will be determined by the count from the 2010 U.S. Census, and will include occupied and vacant housing units.

Effective Date: For aids payable in calendar year 2014 and thereafter.

**City Revenue Need [Local Government Aid]
Chapter 143, Article 2, section 9**

Amends section 477A.011 subdivision 34

This section defines “city revenue need” per capita for each class of city, as follows:

- For cities with a population over 10,000 (large cities):
Revenue Need = 1.15 times the sum of:
 1. 4.59 times the pre-1940 housing percentage,
 2. 0.662 times the percent of housing built between 1940 and 1970,
 3. 169.415 times the jobs per capita, a sparsity adjustment, and
 4. 307.664.

- For cities with a population between 2,500 and 10,000 (medium cities):
Revenue Need = 1.15 times the sum of:
 1. 572.62, *plus*
 2. 5.026 times the pre-1940 housing percentage, *minus*
 3. 53.768 times household size, *plus*
 4. 14.022 times peak population decline.

- For cities with a population less than 2,500 (small cities):
Revenue need = 410 plus 0.367 times the city population over 100.
The revenue need for these cities cannot exceed \$630 per capita

A transition formula is provided for cities if their population is close to the starting point of the next larger-need formula.

The LGA formula retains an inflation index.

Effective Date: For aids payable in calendar year 2014 and thereafter.

**Jobs Per Capita [Local Government Aid]
Chapter 143, Article 2, section 10**

Amends section 477A.011 subdivision 42

“Jobs per capita” replaces “city jobs base” in the LGA formula under this provision. It is defined as the average annual number of employees divided by the city’s population, in the same calendar year.

Every two years, the commissioner of the Department of Employment and Economic Development will certify the average annual number of employees for each city. Cities may challenge an estimate by providing specific information about misreported data.

Effective Date: For aids payable in calendar year 2014 and thereafter.

**Peak Population Decline [Local Government Aid]
Chapter 143, Article 2, section 11**

Amends section 477A.011 by adding subdivision 44

“Peak population decline” is defined for the LGA formula to reflect the fall in population from its highest population reported in a federal census from 1970 or later. It cannot be less than zero.

Effective Date: For aids payable in calendar year 2014 and thereafter.

**Sparsity Adjustment [Local Government Aid]
Chapter 143, Article 2, section 12**

Amends section 477A.011 by adding subdivision 45

The “sparsity adjustment” provides a \$100 per capita adjustment in the LGA formula for cities with a population density of less than 150 persons per square mile.

Effective Date: For aids payable in calendar year 2014 and thereafter.

Town Aid Payments

Chapter 143, Article 2, section 13

Amends section 477A.013, subdivision 1

This section provides aid payments to towns starting in 2014 and thereafter. Aid payments are determined through a formula that considers a town's agricultural property factor, area factor, and population factor. The statute provides for proportional reductions in town aid if the total aid calculated for distribution exceeds the appropriated limit.

History: Towns have not been eligible for aid payments since 2002.

Effective Date: Aids payable calendar year 2014 and thereafter.

City Formula Aid [Local government Aid]

Chapter 143, Article 2, section 14

Amends section 477A.013, subdivision 8

For aids payable in 2014, "city formula aid" is the city's 2013 certified aid plus a percentage of the gap between its unmet need and its 2013 certified aid.

For aids payable in 2015 and thereafter, "city formula aid" is the city's formula aid from the previous year plus the gap between its unmet need and its certified aid from the previous year.

Effective Date: For aids payable in calendar year 2014 and thereafter.

City Aid Distribution [Local Government Aid]

Chapter 143, Article 2, section 15

Amends section 477A.013, subdivision 9

Under this language, "city aid distribution" is the sum of the city's formula aid plus any adjustments. For aids payable in 2014, a city's total aid may not be less than its 2013 aid.

For aids payable in 2015 and thereafter, a city's total aid cannot decrease from the previous year's aid by more than \$10 per capita or an amount equal to 5 percent of its net levy in the previous year, whichever is less.

Effective Date: For aids payable in calendar year 2014 and thereafter.

**Certified Aid Adjustments [Local Government Aid]
Chapter 143, Article 2, section 16**

Amends section 477A.013 by adding subdivision 13

This language regarding “certified aid adjustments” provides for three separate aid adjustments in the LGA formula. The adjustments include:

- an additional \$150,000 per year for the next five years to the city of Warroad to compensate for commercial property devaluation;
- an additional \$160,000 annually to the city of Mahnommen the loss of property tax revenue related to the trust conversion application of the Shooting Star Casino; and
- an allocation of \$1,000,000 to the city of Red Wing for payable 2014 only.

Effective Date: For aids payable in calendar year 2014 and thereafter.

**Payment Dates [Local Government Aid]
Chapter 143, Article 2, section 17**

Amends section 477A.015

This section allows a city that is located in a disaster area so declared for a disaster that occurred during the month of April 2013 in southwestern Minnesota to receive its total 2013 LGA payment on July 20, 2013. This provision covers 38 cities within a disaster area that includes parts of 5 southwestern Minnesota counties.

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

**Cities [Local Government Aid]
Chapter 143, Article 2, section 18**

Amends section 477A.03, subdivision 2a

This section sets the total LGA appropriation for cities at:

- \$507.6 million for aids payable in 2014;
- \$509.1 million for aids payable in 2015; and
- \$511.6 million for aids payable in 2016 and thereafter.

Effective Date: For aids payable in calendar year 2014 and thereafter.

**Towns; Appropriations [Town Aid]
Chapter 143, Article 2, section 20**

Amends section 477A.03 by adding subdivision 2c

This section sets the appropriation for town aid at \$10 million. For aids payable in 2015 and thereafter, the total aid is limited to the amount certified to be paid in the previous year.

Effective Date: Aids payable in calendar year 2014 and thereafter.

**Repealer [Local Government Aid]
Chapter 143, Article 2, section 36**

REPEALS section 477A.011, subdivisions 2a, 19, 29, 31, 32, 33, 36, 39, 40, and 41; section 477A.013, subdivisions 11 and 12; and section 477A.0133

REPEALS section 477A.0134

The repealers for sections 477A.011, 477A.013, and 477A.0133 are because those provisions are not needed for the new Local Government Aid (LGA) formula.

Section 477A.0134 is an obsolete provision that applied to 2010 aids and credits.

Effective Date: For aids payable in 2014.

**Appropriation; City of Moose Lake
Chapter 143, Article 4, section 49**

Uncodified provision

This section grants a one-time appropriation in fiscal year 2014 to the Commissioner of Revenue for a grant to the city of Moose Lake. This payment is for reimbursement for payments related to the connection of state facilities to a sewer line. The appropriation amount is \$2,000,000.

Effective Date: July 1, 2013.

Other Property Tax Aids

**Police and Fire Aid Cleanup
Chapter 111, Article 5, sections 1-69, 77-82**

Amends many provisions related to fire aid, police aid, fire relief associations, and fire and police pension plans in Minnesota Statutes, chapters 6, 13D, 69, 275, 297I, 345, 353, 356, 356A, 424A, and 475.

These changes revise statutes related to fire relief associations, police state aid, and fire state aid for technical reasons and to reflect current practice. The changes also eliminate obsolete references to local

police relief associations. It also amends a number of provisions that now apply only to the Bloomington Fire Department Relief Association. Fire aid provisions were also amended in Chapter 143 to update terminology from “market value” to “estimated market value.”

The Revisor’s instruction in section 80 requests that sections 69.771 to 69.776 be recodified as 424A.091 to 424A.096.

Effective Date: Most sections are effective July 1, 2013.

Amortization aid

Chapter 111, Article 5, sections 70-76, 82

Amends section 423A.02, subdivisions 1, 1b, 2, 3, 3a, 4, 5
REPEALS section 423A.01, subdivision 1a
Uncodified provision in section 82

This language folds supplemental amortization aid into amortization aid, clarifies the two recipients of amortization aid (Fairmont and Minneapolis), and resets additional amortization aid allocation percentages.

The date for payment of the reallocation of amortization aid for teachers’ retirement plans is changed from June 30 to July 15.

Section 82 validates allocations of amortization state aid, supplementary amortization state aid, or additional amortization state aid made by the Commissioner of Revenue before January 1, 2013.

History: A letter of legislative intent in July 2012 clarified that Minneapolis and Fairmont were intended to still receive amortization aid and supplemental amortization aid due to an oversight in cross-referencing them during the 2012 legislative session. Part of this 2013 legislation corrected the oversight and validated the payments that were made in 2012.

Effective Date: June 1, 2013 for all sections except July 1, 2013 for section 82.

Payment of Supplemental Benefit

Chapter 111, Article 6, sections 11 and 13

Amends section 424A.10, subdivision 2
REPEALS section 424A.10, subdivision 5

The change to section 424A.10, subdivision 2, makes the supplemental survivor benefit mandatory, rather than being paid only if a relief association’s articles of incorporations or bylaws allow for it. (The benefit is paid by fire relief associations, and the voluntary statewide lump-sum volunteer firefighter retirement plan, then reimbursed by the state through the Commissioner of Revenue.) This benefit is paid along with a volunteer firefighter’s lump-sum retirement benefit. The general amount is 10 percent of the lump sum up to \$1,000, while the survivor benefit is 20 percent up to \$2,000.

Section 424A.10, subdivision 5, allowed a relief association to pay the supplemental survivor benefit for a death that occurred on or after August 1, 2005, if the articles of incorporation or bylaws provided for it and allowed for retroactivity. This is no longer necessary due to the change to subdivision 2.

Effective Date: The day following final enactment.

**Police & Firefighter Retirement Supplemental State Aid
Chapter 143, Article 2, section 6**

Adds section 423A.022

This section provides for annual state payments of \$15.5 million per year to support police and firefighter pension funds. Each year the following payments will be made:

- \$9 million to the Public Employees Retirement Association of Minnesota for the police and fire fund
- \$5.5 million by formula to municipalities with volunteer firefighters
- \$1 million to the Minnesota State Retirement System for deposit in the state patrol fund

Effective Date: This section is effective beginning in the fiscal year beginning July 1, 2013.

**Additional Border City Allocation; 2013
Chapter 143, Article 9, section 2**

Amends section 469.149 by adding subdivision 19

This section allocates \$1.5 million for border city enterprise zone and border city development zone tax reductions. This allocation is divided equally by the Commissioner of Employment and Economic Development between the two programs (\$750,000 to each), but the city can reallocate the amounts. The allocation is divided among the qualifying border cities on a per capita basis. The five cities that qualify are Moorhead, Dilworth, East Grand Forks, Breckenridge, and Ortonville.

Effective Date: July 1, 2013.

**Debt Service Aid; Minneapolis
Chapter 143, Article 2, section 21**

Adds section 477A.085

This section provides that the state will make annual payments to the city of Minneapolis equal to 40 percent of the annual levy for payments for the city's library referendum bonds, beginning in 2016.

The Commissioner of Revenue will make the payment. The amount necessary is appropriated from the general fund. The first payment will occur November 1, 2016.

Effective Date: July 1, 2013 [for payments that begin November 1, 2016].

Property Tax Programs and Incentives

Sustainable Forest Incentive Act

Forest Land [Definition; Sustainable Forest Incentive Act] Chapter 143, Article 2, section 2

Amends section 290C.02, subdivision 6

This section adds an exclusion to the definition of “forest land” for purposes of the Sustainable Forest Incentive Act (SFIA). Under this new language, forest land that is currently enrolled in the program can no longer include land exceeding 60,000 acres that is subject to a single conservation easement under section 97A.056 (the Lessard-Sams Outdoor Heritage Council statute), nor any land that becomes subject to a conservation easement under that section or any similar state or federal easement program after May 30, 2013.

Effective Date: Effective for certifications due by August 15, 2013 and applications due by September 30, 2013 and thereafter.

Eligibility Requirements [Sustainable Forest Incentive Act] Chapter 143, Article 2, section 3

Amends section 290C.03

This section adds a condition that must be met to be enrolled in the Sustainable Forest Incentive Act program. Claimants enrolling more than 1,920 acres in the program must also allow motorized access on established and maintained roads and trails, unless the road or trail is temporarily closed for safety, natural resource, or road damage reasons.

Effective Date: Effective for calculations made in 2013 and thereafter.

Length of Covenant [Sustainable Forest Incentive Act] Chapter 143, Article 2, section 4

Amends section 290C.055

This section adds an option that allows claimants to immediately terminate the SFIA covenant without having to meet the eight-year program withdrawal requirement if there is a reduction in payments due to changes in the payment formula under section 290C.07.

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. Minnesota Statutes, section 290C.07 was amended in

2011 to set the SFIA payment to a \$7.00 per acre rate. With this provision, a claimant is allowed to terminate the SFIA covenant due to the reduction to the \$7.00 per acre rate or if the per acre rate is reduced again in the future.

Effective Date: Effective for calculations made in 2013 and thereafter.

**Calculation of Incentive Payment [Sustainable Forest Incentive Act]
Chapter 143, Article 2, section 5**

Amends section 290C.07

This section removes the \$100,000 per-recipient cap on the SFIA payments.

History: Minnesota Statutes, section 290C.07 was amended in 2011 to set the SFIA payment to a \$7.00 per acre rate with a maximum payment of \$100,000 for each Social Security number or tax identification number enrolled. This cap is now removed.

Effective Date: Effective for calculations made in 2013 and thereafter.

**Ineligibility; Sustainable Forest Incentive Act
Chapter 143, Article 2, section 34**

Uncodified provision

This section releases lands from their SFIA covenants if they are disqualified from participating in the program as a result of changes that make lands encumbered by conservation easements under section 97A.056 ineligible for SFIA enrollment (see Article 2, section 2).

Effective Date: The day following final enactment.

**Reenrollment; Sustainable Forest Incentive Act
Chapter 143, Article 2, section 35**

Uncodified provision

This section allows a person who elected to withdraw from the SFIA program in response to 2011 law changes to re-enroll and qualify for 2013 SFIA payments. The person that re-enrolls the property must be the same person that elected to terminate their participation in the SFIA program under 2011 law changes. The person may apply for re-enrollment within 60 days after enactment of the bill.

History: Minnesota Statutes, section 290C.07 was amended in 2011 to set the SFIA payment to a \$7.00 per acre rate with a maximum payment of \$100,000 for each Social Security number or tax ID number. That provision also allowed claimants to withdraw from SFIA if they were subject to payment limitations.

Effective Date: The day following final enactment.

Senior Citizens' Property Tax Deferral

Approval; recording [Senior Citizens' Property Tax Deferral program]

Chapter 143, Article 17, section 14

Amends section 290B.04, subd. 2

This language allows the Commissioner of Revenue to prescribe the form of the lien notice that is filed under the senior citizens' deferral program. This also eliminates the need for the lien to be notarized. This change was a recommendation of the Department of Revenue.

Effective date: For lien notices that are both executed and recorded after June 30, 2013.

Economic Development & Tax Increment Financing

Economic Development

Public Bidding Requirement [Bloomington Port Authority]

Chapter 143, Article 9, section 1

Amends section 469.071, subdivision 5

This language modifies the Bloomington Port Authority's special law exception to competitive bidding requirements. This modification expands the exception to apply regardless of the source of port authority funds that are used (under 2012 law, it was limited to TIF and revenue bonds). It also extends the exception to "other public improvements" along with public parking.

Effective Date: Upon compliance of the governing body of the city of Bloomington with the requirements of section 645.021, subdivision 3.

Metro Fiscal Disparities Calculation

Chapter 143, Article 9, section 10

Amends section 473F.08

Under this section, the commercial-industrial tax capacity in the Mall of America tax-increment finance districts (TIF Districts 1-C and 1-G) is exempt from contributing to the Metro Fiscal Disparities program. Tax increments in the Mall of America tax-increment finance districts include the tax that would normally be paid to the fiscal disparities pool.

This provision will be administered by the State Auditor's Office and the city of Bloomington.

The city clerk of Bloomington must certify to the Hennepin County Auditor that the city has entered a binding written agreement with the Metropolitan Council to rehabilitate or replace the Old Cedar Avenue Bridge. The provision will also expire if the city clerk fails to file its local approval of section 23 with the secretary of state by December 31, 2013.

Effective Date: Taxes payable 2014.

**Bloomington Computation [Loan Repayment]
Chapter 143, Article 4, section 32**

Amends section 473F.08, subdivision 3a

This section relieves Bloomington of its obligation to repay a loan it received from the fiscal disparity pool in the 1980s and 1990s. For the last four years of repayment (2015-2018), the state will make the extra payments to the pool on Bloomington's behalf.

Effective Date: Beginning with taxes payable 2015.

**TIF General Provisions
Economic Development Districts
Chapter 143, Article 9, section 3**

Amends section 469.176, subdivision 4c

This section eliminates obsolete language related to qualified retail facilities and the temporary exemptions under the 2010 jobs bill. Specifically, the section concerns language that had allowed tax increment derived from economic development districts to be used for improvements, loans, subsidies, or other assistance provided certain (now obsolete) conditions were met.

History: Much of this language was rendered obsolete because the substantive definitions for these sections were repealed in 2010.

Effective Date: Effective for districts where the request for certification was made after June 30, 2012.

**General Government Use
Chapter 143, Article 9, section 4**

Amends section 469.176, subdivision 4g

This section eliminates language that prohibited the use of tax increments for improvements, equipment, or other items, if the items were located outside the TIF district where the increments were collected and the items primarily serve a decorative or aesthetic purpose, or have costs twice as high as more commonly used improvements or equipment, due to the types of materials or designs selected.

Effective Date: Effective the day following final enactment for all TIF districts, regardless of when the request for certification was made, but applies only to amounts spent *after* the final enactment.

Four-Year Rule
Chapter 143, Article 9, section 5

Amends section 469.176, subdivision 6

This section extends the temporary two-year extension of the four-year rule (time limit to begin demolition, renovation, or site preparation of a parcel) through December 31, 2016 for TIF districts certified between January 1, 2005 and April 20, 2009. Therefore, the “four-year period” for TIF districts between these dates will end December 31, 2016.

History: The previous section increased the four-year period to six years. For those certified in 2005, this will mean the “four-year period” will extend for 11 years.

Effective Date: Effective the day following final enactment and applies to districts certified on or after January 1, 2005 and before April 20, 2009.

Original Local Tax Rate; General Education Levy
Chapter 143, Article 9, section 6

Amends section 469.177, subdivision 1a

This section excludes the portion of the school rate attributable to the general education levy from the certified original tax rate.

Effective Date: Effective for districts in which the request for certification was made after April 15, 2013.

Adjustment to Original Net Tax Capacity
Chapter 143, Article 9, section 7

Amends section 469.177 by adding subdivision 1d

This section allows a TIF authority to reduce the original net tax capacity of a qualified district by the amount of capacity attributable to the market value exclusion for taxes payable in the preceding year. The reduction may not reduce the district’s original net tax capacity below zero. To qualify, a tax increment financing districts must satisfy all of the following conditions:

1. For taxes payable in 2011, the authority received a homestead market value credit reimbursement of \$10,000 or more;
2. For taxes payable in 2013, the reduction in captured tax capacity resulting from the market value exclusion for the district was equal to (or greater than) 1.75 percent of the district’s captured tax capacity; and
3. Either:
 - a) the district’s five-year rule must still be open (meaning that increments are still permitted to be spent); or

- b) the district had insufficient increment to pay its outstanding bonds under section 469.178 in 2013. [NOTE: The calculation for clause (2) must include any adjustments to original net tax capacity under section 469.177, subd. 1(d) and (e) relating to the homestead market value exclusion.]

If the TIF district qualifies for this provision, and the authority so elects, the County Auditor must be notified no later than July 1, 2014. Notifications made by July 1, 2013 are effective beginning for taxes payable in 2014. Notifications made after July 1, 2013 are effective beginning for taxes payable in 2015.

Effective Date: Effective the day following final enactment. Applies to all TIF districts, regardless of when request for certification was made.

**Adjustment to Original Net Tax Capacity; Qualifying District
Chapter 143, Article 9, section 8**

Amends section 469.177 by adding subdivision 1e

This section provides for a reduction of up to \$20,000 in the original tax capacity for qualifying TIF districts. To qualify for this reduction, all of the following conditions must be met:

1. The district was certified after January 1, 2011 and before January 1, 2012;
2. For assessment year 2012, at least 75 percent of the tax capacity for the district is class 4d property; and
3. For the assessment year 2012, the average estimated market value is over \$115,000 per housing unit for the portion of the property that is class 4d.

An authority or property owner in a TIF district must notify the county assessor by July 1, 2013.

This section expires December 31, 2021.

Effective Date: Effective for taxes payable in 2014.

**Distribution of General Education Levy Taxes
Chapter 143, Article 9, section 9**

Amends section 469.177, subdivision 9

This section provides taxes paid by the captured tax capacity of TIF districts that are attributable to the new general education levy (authorized under article 3) will be paid to the school district which imposed the levy. This payment will be made regardless if the amount of tax paid on the captured net tax capacity exceeds the amount of the tax increment.

Effective Date: Effective for TIF districts where the request for certification was made after April 15, 2013.

TIF Specific Districts

Bloomington Central Station TIF Chapter 143, Article 9, section 11

Amends Laws 2008, Chapter 366, Article 5, section 26

This section makes three changes to the Bloomington Central Station TIF district:

1. Extends the five-year rule from section 469.1763, subdivision 3 to 15 years;
2. Allows the city to extend the duration of the district through 2039 (an eight year extension);
3. Unfreezes the original tax capacity rate, allowing the district's increment to be calculated using the current tax rate, not the rate that was in effect when the district was certified.

History: The first provision was amended to extend the period from 10 years to 15 years; while the other two changes are newly-added to the statute.

Effective Date: Items 1 and 3 are effective upon compliance by a governing body of the city of Bloomington with section 645.021, subdivision 3. Item 2 is effective upon compliance by the governing bodies of Bloomington, Hennepin County, and the Independent School District No. 271 with section 469.1782, subdivision 2 and section 645.021, subdivision 3.

Oakdale TIF [Parcels] Chapter 143, Article 9, section 12

Amends Laws 2008, Chapter 366, Article 5, section 34 as amended by Laws 2009, Chapter 88, Article 5, section 11

This section modifies the special TIF law for the city of Oakdale passed by the Legislature in 2008 and modified in 2009, granting the city authority to deviate from general law with regard to TIF districts created in a defined area of the city. There are two changes:

1. The period of time that the city has to establish TIF districts under the special law is extended by four years (now ending in 2017); and
2. An exemption is provided to the general law "blight test" rules.

The final result is consistent with the original special law, which allowed the city to set the original tax capacity at the land value.

The city may elect, in the tax increment financing plan, to collect increment from a redevelopment district created under this section for an additional 10 years.

History: The Oakdale TIF district had special provisions passed in 2008, which were later amended in 2009. This revision effectively reverts to the 2008 provisions. It also extends the time during which the city may establish districts.

Effective Date: Effective upon compliance by the governing body of the city of Oakdale with the requirements of section 645.021, subdivision 3 except that the provisions allowing the city to elect to

collect increment from a redevelopment district created under this law are effective only upon compliance with section 469.1782, subdivision 2, by Ramsey County and Independent School District No. 622.

Oakdale TIF; Extension and Expanded Spending Authority
Chapter 143, Article 9, section 13

Amends Laws 2010, Chapter 216, section 55

This section extends the length of the district from December 31, 2024, to December 31, 2040. This section also repeals prior allowances of pooling of increments from the district during the extension, except to the extent they were used for improvements on two specifically listed parcels. Because of the extension, approval must now be given by the county and school district in addition to the city.

History: The district is a pre-1990 district that would not otherwise have been subject to pooling restrictions. Under the changes made by this section, this restriction would apply; in effect restricting the city to use the district's increments on activities anywhere in the project area.

Effective Date: The day following compliance by the governing body of Oakdale with the requirements of section 645.021 subdivision 3. The extension of the district is effective upon compliance with section 469.1782, subdivision 2 by Ramsey County and Independent School District No. 622.

St. Cloud TIF
Chapter 143, Article 9, section 14

Uncodified provision

This section makes TIF district No. 2 (referred to as the Norwest District) a gap district. A gap district is a district for which the request for certification was made from August 1, 1979 to June 30, 1982.

History: Gap districts were created before the Legislature in 1982 allowed "pooling" of increments for new TIF districts. The original history of TIF District No. 2 is unclear and cannot be reconciled with city records. Therefore, this clarifying language was necessary.

Effective Date: Effective upon approval by the governing body of St. Cloud and in compliance with section 645.021 subdivision 3.

**City of Glencoe TIF
Chapter 143, Article 9, Section 15**

Uncodified provision

This section authorizes Glencoe to extend the duration of its TIF district No. 4 to December 31, 2023.

History: This district is a redevelopment district that would otherwise have to be decertified in 2013. The duration of this district will now be 35 years.

Effective Date: Upon compliance by the city of Glencoe, McLeod county, and ISD 2859 with Minn. Stat. § 469.1782, subd. 2 and § 645.021, subd. 3.

**City of Ely TIF
Chapter 143, Article 9, section 16**

Uncodified provision

This section allows the city of Ely to extend the duration of its TIF district No. 1 by four years (from 2017 to 2021). The city is also permitted to transfer increments from TIF district No. 3 to pay binding obligations of the TIF District No. 1, which has a deficit.

Effective Date: Upon approval by the governing bodies of Ely, St. Louis County, and Independent School District No. 696; in compliance with sections 469.1782 subdivision 2 and 645.021 subdivision 3.

**Dakota County Community Development Agency TIF; West St. Paul
Chapter 143, Article 9, section 17**

Uncodified provision

This section allows the Dakota County Community Development Agency to establish a redevelopment TIF district composed of properties in West St. Paul that were not decertified before July 1, 2012. The new district created has an end date of December 31, 2023.

Effective Date: Effective upon compliance by the governing body of the Dakota County Community Development Agency with the requirements of section 645.021, subdivision 3.

**City of Apple Valley TIF
Chapter 143, Article 9, section 18**

Uncodified provision

This section grants special authority to Apple Valley to create TIF districts through December 31, 2022, under special rules in a defined area of the city.

Exceptions to general TIF rules include:

1. A new type of TIF district, soil deficiency district, with special qualifying rules would be allowed:
 - a. To qualify, 70 percent of the area would need to have soils or terrain difficulties with estimated correction costs (i.e. grading and filling) that exceed fair market value of the property. Roads and other public improvements that landowners could be specially assessed for are not included.
 - b. A deficiency district would be allowed to collect 21 years of increments.
 - c. It is limited to spending increments on land acquisition, soil correction, public improvements, and administrative expenses.
2. The five-year rule is extended to 10 years: This rule limits the period of time that in-district expenditures (under percentage-pooling rules) may be spent. This is intended to ensure that after a reasonable period of time, tax increments are used to pay off development costs and to put the property back on the tax rolls.
3. The pooling percentage is increased from 20 percent to 80 percent: To qualify for the higher percent, the increment would need to be spent in the area defined by the bill. That is, the project area could not extend beyond these boundaries.

These special rules apply to any type of new Apple Valley TIF district, except an economic development district or a housing district.

Effective Date: Effective upon compliance with section 645.021, subdivision 3.

**City of Apple Valley TIF
Chapter 143, Article 9, section 19**

Uncodified provision

This section authorizes the city of Apple Valley to use tax increment financing to provide improvements, loans, and subsidies to buildings and facilities if all of the following conditions are met:

1. The project/s will create or retain jobs (including construction jobs).
2. Construction of the project will not begin before July 1, 2014 without use of TIF financing.
3. The request for certification of the district is made no later than June 30, 2014.
4. Construction of the project begins no later than July 1, 2014.

Effective Date: Effective upon approval by the governing body of Apple Valley and timely compliance with section 645.021, subdivision 3.

**Minneapolis [Streetcar Financing]
Chapter 143, Article 9, section 20**

Uncodified provision

This section authorizes the city of Minneapolis to create a value capture district to finance construction of a streetcar line and related improvements. The city may include parcels in the district that are located in five defined areas of the city along the proposed line. Revenues from the district would be calculated using the same method that applies under general TIF law, except that current tax rates would be used rather than original tax rates.

Effective Date: Effective the day following final enactment.

**City of Maplewood TIF
Chapter 143, Article 9, section 21**

Uncodified provision

This section authorizes the city to establish TIF districts within a defined area of the city and consists of all or part of the corporate campus of the 3M Company.

Effective Date: Effective upon approval by the governing body of the city of Maplewood in compliance with 645.021, subdivision 3.

**Mall of America TIF District [City of Bloomington]
Chapter 143, Article 9, section 22**

Uncodified provision

This section allows the port authority and city of Bloomington to transfer several parcels between the Mall of America (MOA) TIF districts. This will allow these undeveloped parcels on the northern edge of the district containing the mall to be shifted to the district containing the site of the former Met Center. This change allows the district to extend the ability to collect increments from these parcels by three years.

In addition, this section allows Bloomington to extend the two MOA TIF districts through 2034 (an 18-year extension for the district containing the mall and 15-year extension for the district containing the Met Center site). During the extension, increment would be limited to the special fiscal disparities computation provided by section 10; local tax rates for the city, county, school, and special districts would be computed including the captured tax capacity of the TIF districts. The extensions would terminate for taxes payable in 2024, if new improvements worth at least \$100 million, have not been constructed in district No. 1-G (the district containing the former Met Center) by January 1, 2021.

Effective Date: This provision is effective upon local approval by the city, but does not require approval by the county or school district. In addition, the provision does not become effective unless the city has entered a binding, written agreement to rehabilitate or replace the Old Cedar Avenue Bridge.

City of Bloomington Old; Cedar Ave Bridge
Chapter 143, Article 9, section 23

Uncodified provision

This section requires the city of Bloomington to transfer increment from its two Mall of America TIF districts equal to the amount of increment for taxes payable in 2014 as a result of section 10, to be used to renovate or replace the Old Cedar Avenue Bridge.

Effective Date: Subject to local approval by the city of Bloomington.

Alternative Taxation and Payments in Lieu

Mortgage Registry and Deed Tax

Mortgage and Deed Tax in Hennepin and Ramsey Counties **Chapter 143, Article 4, sections 26, 27, 28, and 29**

Amends sections 287.05, 287.40, and 383A.80

These sections codify the authority for Hennepin and Ramsey counties to levy an additional mortgage registry tax and deed tax.

History: The additional mortgage registry tax and deed tax in Hennepin and Ramsey counties started in 1997. The tax created an environmental response fund to clean up contaminated sites. The authority initially expired on January 1, 2013.

Effective Date: July 1, 2013.

PILT

Repealer; PILT **Chapter 143, Article 2, section 36**

REPEALS section 97A.061 and Laws 1973, Chapter 567, section 7, as amended by Laws 1977, Chapter 403, section 12

This item repeals the additional or alternative PILT payments in Chapter 97A for crop lands managed for wild geese, public hunting lands, Camp Ripley game refuge, and a payment to Chisago County for land in St. Croix Wild River State Park under special law. The payments are now described under Chapter 477A.

This was a recommendation in the 2012 Department of Natural Resources PILT report.

Effective Date: Aids payable in calendar year 2013 and thereafter.

Natural Resources Land Payments in Lieu; Purpose **Chapter 143, Article 2, section 22**

Adds section 477A.10

This provides a purpose statement for payment in lieu of taxes (PILT): to compensate local governments for the loss of tax base from state land ownership and the need to provide services for state lands; to address the disproportionate impact state land ownership has on local governments with large proportions of state lands; and to address the need to manage state lands held in trust for local taxing districts.

This language recommendation was included in the Department of Natural Resources' PILT report published in December 2012.

Effective Date: July 1, 2013.

**PILT; Acquired Natural Resources Land
Chapter 143, Article 2, section 23**

Amends section 477A.11, subdivision 3

This provision modifies the existing definition of "acquired natural resources land" for purposes of PILT to specifically exclude "wildlife management land."

Effective Date: Aids payable in calendar year 2013 and thereafter.

**PILT; Other Natural Resources Land
Chapter 143, Article 2, section 24**

Amends section 477A.11, subdivision 4

This section modifies the existing definition of "other natural resources land" for purposes of PILT to specifically exclude "acquired natural resource land" and "wildlife management land."

Effective Date: Aids payable in calendar year 2013 and thereafter.

**PILT; Military Game Refuge
Chapter 143, Article 2, section 25**

Amends section 477A.11 by adding subdivision 6

This creates a definition of "military game refuge" for purposes of PILT as land owned in fee by another state agency for military purposes and designated as a state game refuge. This land is the Camp Ripley game refuge that currently receives a payment under Chapter 97A.

Effective Date: Aids payable in calendar year 2013 and thereafter.

**PILT; Transportation Wetland
Chapter 143, Article 2, section 26**

Amends section 477A.11 by adding subdivision 7

This creates a definition for "transportation wetland" for purposes of PILT as land administered by the Department of Transportation in which the state acquired, by purchase from a private owner, a fee title interest in over 500 acres of land within a county to replace wetland losses from transportation projects.

Effective Date: Aids payable in calendar year 2013 and thereafter.

**PILT; Wildlife Management Land
Chapter 143, Article 2, section 27**

Amends section 477A.11 by adding subdivision 8

This creates a definition of “wildlife management land” for purposes of PILT as land administered by the Commissioner of Natural Resources in which the state acquired from a private owner by purchase, condemnation, or gift, a fee interest under the authority granted in Minnesota Statutes, Chapter 94 (lands, state forests) or 97A (game and fish) for wildlife management purposes and actually used as a wildlife management area.

Effective Date: Aids payable in calendar year 2013 and thereafter.

**PILT; Types of Land; Payments
Chapter 143, Article 2, section 28**

Amends section 477A.12, subdivision 1

This section sets PILT payments as follows:

1. Acquired Natural Resources Land: \$5.133 multiplied by the total number of acres, or, at the county’s option, 0.75 percent of the appraised value of all acquired natural resources land in the county, whichever is greater (no change from 2012 law).
2. Transportation Wetland: \$5.133 multiplied by the total number of acres of transportation wetland, or, at the county’s option, 0.75 percent of the appraised value of all acquired natural resources land in the county, whichever is greater (receives similar payment under 2012 law).
3. Wildlife Management Land: 0.75 percent of the appraised value of all wildlife management land in the county (eligible for an alternative \$5.133/acre payment under 2012 law).
4. Military Refuge Land: 50 percent of the dollar amount as determined under clause (1), multiplied by the number of areas of military refuge land in the county (same as 2012 law payment in Chapter 97A).
5. County-Administered: \$1.50 multiplied by the number of acres of county-administered other natural resource land in the county (increased from \$1.283/acre payment in 2012 law).
6. Land Utilization Projects: \$5.133 multiplied by the total number of acres of land utilization project land in the county (increased from \$1.23/acre under 2012 law).
7. Commissioner-Administered (Commissioner of Natural Resources): \$1.50 multiplied by the total number of acres of commissioner-administered other natural resources land in the county (increased from \$0.642/acre under 2012 law).

8. Local Drainage Assessments: Without regard to acreage, \$300,000 for local assessments under section 84A.55, subdivision 9 (new provision).

Effective Date: Aids payable in calendar year 2013 and thereafter.

PILT; Procedure

Chapter 143, Article 2, section 29

Amends section 477A.12, subdivision 2

This section clarifies the Commissioner of Natural Resources must determine and certify to the Commissioner of Revenue the number of acres of wildlife management land and military refuge land within each county. Also, the Commissioner of Transportation must determine and certify to the Commissioner of Revenue the number of acres of transportation wetland within the county, to reflect the additional classifications of land.

Effective Date: Aids payable in calendar year 2013 and thereafter.

PILT; Determination of Appraised Value

Chapter 143, Article 2, section 30

Amends section 477A.12, subdivision 3

This section changes the appraised schedule of acquired natural resources land from five years to six years to correspond to the schedule for appraising other tax exempt property. Also, the PILT Supplement will be reported on a six year rotation, instead of a five year rotation.

The appraisal schedule change was a recommendation included in the 2012 Department of Natural Resources PILT report.

Effective Date: Aids payable in calendar year 2013 and thereafter.

PILT; General Distribution

Chapter 143, Article 2, section 31

Amends section 477A.14, subdivision 1

This language requires that 10 percent of the amount received by the county for each acre of acquired natural resource, transportation wetland, county-administered, land-utilization, and commissioner administrated land must be paid to each organized township.

This was a recommendation included in the 2012 Department of Natural Resources PILT report.

Effective Date: Aids payable in calendar year 2013 and thereafter.

**PILT; Distribution for Wildlife/Military Lands
Chapter 143, Article 2, section 32**

Amends section 477A.14 by adding subdivision 3

This section requires the county treasurer to allocate payments for these lands among the county, town, and school districts as if they were taxes on the land received.

Effective Date: Aids payable in calendar year 2013 and thereafter.

Taxing Authority & Levies

Taxing Districts

Tax Levy Authority [Local Water Planning and Management] Chapter 143, Article 4, section 2

Amends section 103B.335

This allows the governing body of any county, municipality, or township to levy for funds to implement a watershed management plan. It also provides for a county to levy amounts necessary to pay the reasonable costs to soil and water conservation districts for administering and implementing programs identified in their plan.

Effective Date: July 1, 2013.

Deadline for Special Service District Chapter 143, Article 4, section 30

Amends section 428A.101

This provision extends the allowable period for establishment of new special service districts without special authorization by 15 years, to June 30, 2028.

Effective Date: The day following final enactment.

Deadline for Housing Improvement Districts Chapter 143, Article 4, section 31

Amends section 428A.21

This section extends the allowable period for establishment of new housing improvement districts without special authorization by 15 years. The authority to establish new districts under this section originally expired after June 30, 2013 and now the expiration is June 30, 2028.

Effective Date: The day following final enactment.

**Tax; Payment of Expenses [Cook-Orr Hospital District]
Chapter 143, Article 4, section 33**

Amends Laws 1988, Chapter 645, section 3, as amended by Laws 1999, Chapter 243, Article 6, section 9, Laws 2000, Chapter 490, Article 6, section 15, and Laws 2008, Chapter 154, Article 2, section 30

This section modifies the levy authority of the Cook-Orr Hospital District by allowing the levy to be used to purchase equipment, parts, and replacement parts for ambulances, in addition to the existing authority to purchase ambulances. Also provides the proceeds of the levy be divided equally between the Cook ambulance service and the Orr ambulance service.

Effective Date: July 1, 2013.

**Sawyer Cemetery Levy [Carlton County]
Chapter 143, Article 4, section 34**

Amends Laws 1999, Chapter 243, Article 6, section 11

This section makes permanent Carlton County's authority to annually levy in and for the unorganized township of Sawyer for cemetery purposes, and eliminates the \$1,000 cap on the levy.

Effective Date: For taxes payable in 2014 and thereafter, and the day after the Carlton County Board of Commissioners and its chief clerical officer timely complete their compliance with M.S. 645.021, subdivisions 2 and 3.

**Multicounty Housing and Redevelopment Authority Levy Authority; Effective Date
Chapter 143, Article 4, section 35**

Amends Laws 2008, Chapter 366, Article 5, section 33, the effective date

This language extends, by five years, the authority of the Northwest Minnesota Multicounty Housing and Redevelopment Authority to levy up to 25 percent of its total levy authority without approval by the city or county.

Effective Date: Taxes payable in 2014.

**Cloquet Area Fire and Ambulance Taxing District; Agreement
Chapter 143, Article 4, section 36**

Amends Laws 2009, Chapter 88, Article 2, section 46, subdivision 1

This language allows municipalities to join a district if they are noncontiguous to the municipalities that currently make up the district.

Effective Date: July 1, 2013.

Cloquet Area Fire and Ambulance Taxing District; Tax Chapter 143, Article 4, section 37

Amends Laws 2009, Chapter 88, Article 2, section 46, subdivision 3

This section requires the district board to determine the amount of the levy attributable to the costs of providing fire and ambulance services. Costs of providing ambulance services must be levied at a rate not to exceed 0.019 percent of estimated market value, and for municipalities that receive both fire and ambulance services, the levy rate must not exceed 0.2835 percent.

Effective Date: August, 1, 2013.

Levy Limits

Operating Referendum Freeze; Fiscal Year 2015 [Education] Chapter 143, Article 3, section 6

Uncodified provision

This section prohibits a school district from authorizing an increase in its operating referendum, except to reauthorize an expiring referendum. The three exceptions to prohibition are:

1. the school board had adopted a resolution before June 30, 2013 to conduct a referendum in 2013;
2. the school district had not authorized an operating referendum in fiscal 2014; or
3. the school district is in statutory operating debt and has an approved plan with the Department of Education.

Effective Date: August 1, 2013.

Levy Limits for Taxes Levied in 2013 Chapter 143, Article 4, section 48 and Chapter 144, section 18

These changes establish a levy limit for taxes levied in 2013 (payable 2014) for counties with a population over 5,000 and all cities with a population over 2,500. The levy limit base is calculated by taking the certified net tax capacity levy plus the total aids and reimbursements the governmental unit received minus special levies.

$$\text{Levy Limit Base} = (\text{CNTC} + \text{Total Aids \& Reimbursements} - \text{Special Levies}) \times 1.03$$

The levy limit is calculated for 2011 and 2012, and whichever is greater will be increased by 3 percent to become the final levy limit base.

The levy limit for taxes levied in 2013 is the base, as calculated above, plus any additional authorized levies minus any county program aid, city aid, and other aids under sections 477A.011 to 477A.014.

$$\text{Levy Limit for 2013} = \text{Levy Limit Base} + \text{Additional Authorized Levies} - \text{Aids}$$

Taxing Authority & Levies

The levy limit cannot be less than the certified net tax capacity levy for taxes levied in 2011 or 2012, whichever is greater.

The Department of Revenue will collect information from local government units to calculate levy limits. The official form and instructions will be sent by the department in June 2013, and will be due back to the department by July 19, 2013. If the information is incomplete or has not been sent by July 19, 2013, the Commissioner of Revenue can set the local government unit's levy limit.

Levy limits will be provided to the affected government units by September 1, 2013. The local government unit must then report by September 30, 2013 the maximum amount of taxes it plans to levy for each special levy purpose.

Effective Date: Effective only for taxes levied in 2013, payable in 2014.

Property Tax Collection and Distribution

Property Tax Collection

Property Tax Due Date Modification for Federal Active Service Chapter 143, Article 4, sections 19, 20, and 21

Amends sections 279.01 and 279.02

This grants a four-month grace period for complying with property tax due dates for homestead property owned by a qualifying individual who is on federal active service. No late fees or penalties may be assessed during the grace period. A qualifying taxpayer will not be deemed delinquent if payment is made by the end of the grace period.

The taxpayer must provide proof of active federal service on the date the payment was due. Similar provisions may be available under the federal Servicemembers Civil Relief Act.

Effective Date: July 1, 2013.

Tax Statements Chapter 10, section 1

Amends section 507.092, subdivision 1

This language prevents an affidavit of survivorship from being recorded in a county unless it contains the address where property tax statements will be sent.

Effective Date: August 1, 2013.

Property Tax Refund (PTR)

General

Household Income [Property Tax Refund] Chapter 143, Article 1, section 1

Amends section 290A.03, subdivision 3

This language modifies the definition of household income used for the property tax refund program (for both homeowners and renters) by excluding a portion of contributions to voluntary retirement plans, and including all distributions from such plans. The language also modifies the addition for the federal tuition deduction to reference the Internal Revenue Code and strikes the obsolete addition for unemployment benefits.

This section allows claimants to exclude from household income up to \$5,500 in contributions, including contributions to Roth IRAs and other Roth plans. The limit on contributions is defined by reference to the contribution limit for IRAs in effect for the tax year, which equals \$5,500 for tax year 2013.

This section requires claimants to include Roth distributions in household income.

Effective Date: Effective for refunds based on taxes payable in 2014 and rent paid in 2013.

Inflation Adjustment [Homestead Credit Refund and Renter Property Tax Refund] Chapter 143, Article 1, section 4

Amends section 290A.04, subdivision 4

This section updates the annual inflation adjustment of the income brackets and maximum refunds for the homestead credit refund and renter property tax refund to be calculated relative to the schedules provided in Article 2, sections 2 and 3.

Effective Date: Taxes payable in 2014 and rent paid in 2013 and following years.

Notification of Potential Eligibility; Report Chapter 143, Article 1, section 5

Adds section 290A.28

This requires the Commissioner of Revenue to undertake a one-time effort in 2014 to notify homeowners who may be eligible for a homestead credit refund of at least \$1,000. The determination will be based on data from the most recent income tax returns and homestead credit refund claims matched with information about current-year homestead property tax information provided by county auditors.

Property Tax Refund

This section also requires two reports to the Legislature to include information on:

- the count and dollar amount of homestead credit refund claims anticipated prior to the notification;
- the number of notifications issued by county;
- the count and dollar amount of claims, with preliminary information provided in the 2015 report, and final information in the 2016 report; and
- information on any other outreach efforts conducted by the department.

Effective Date: Effective for refunds based on taxes payable in 2014, with the notifications to homeowners due by September 1, 2014.

Homeowners' PTR

Homestead Credit Refund Chapter 143, Article 1, section 2

Amends section 290A.04, subdivision 2

This provision renames the homeowner property tax refund the “homestead credit refund,” and provides a new schedule for the refund. The new schedule decreases the threshold percentage used to determine eligibility for the refund for homeowners.

- For PTR applicants with household income between \$19,500 and \$64,930, the threshold decreases to 2 percent
- For higher income levels (up to \$105,500), the threshold percentage decreases to 2.5 percent.

The schedule also updates the income brackets and maximum refunds. The reduction in the threshold percentage allows for the number of income ranges in the schedule to be decreased from 27 to 23. For refunds based on taxes payable in 2014, the maximum income eligible is \$105,499.

Effective Date: For refund claims based on taxes payable in 2014 and thereafter.

Renters' PTR

Renter Property Tax Refund Chapter 143, Article 1, section 3

Amends section 290A.04, subdivision 2a

This provision decreases the threshold percentages under the renter property tax refund to be no higher than the threshold percentages proposed for the homestead credit refund in section 2. For income levels between \$31,030 to \$57,170, the threshold is 2 percent.

Also, the maximum income eligible for the renters' PTR has increased from \$41,819 to \$57,169. The change also increases the maximum refund allowed under the renter PTR across all income ranges, with the maximum at the lowest income ranges increasing from \$1,620 to \$2,000.

Effective Date: Effective beginning with refunds based on rent paid in 2013.

Delinquency & Forfeiture

State Deeds for School Forests Chapter 73, sections 2, 4, and 5

Amends sections 89.41 and 282.01

These provisions allow for tax-forfeited land to be conveyed to school districts or other public educational institutions for the purpose of school forests without monetary compensation or consideration.

Any lands conveyed for the purpose of school forests will be annually monitored by the Commissioner of Natural Resources to ensure they are being used as school forests. These properties will be monitored for compliance in perpetuity.

Should a property cease to be used for school forest purposes, the property will revert to the state. The Commissioner of Revenue must record a declaration of reversion in these instances.

Effective Date: Effective the day following enactment.

Notice of Delinquent Property Taxes Chapter 143, Article 17, section 13

Amends section 279.06

This eliminates obsolete text from the notice about the various times when the owners of different types of property may avoid forfeiture by paying the taxes, costs, and interest. The changes instruct the Commissioner of Revenue to provide a narrative description of various redemption periods that the respective county auditors will include in the notice. This narrative description will be found in the Delinquent Tax and Tax Forfeiture Manual after its 2013 update. This language was a recommendation of the Department of Revenue.

Effective Date: Effective for lists and notices required after December 31, 2013.

Confession of Judgment Modifications Chapter 143, Article 4, sections 22 and 23

Amends section 279.37

These sections remove the \$500,000 value cap that restricted confessions of judgment for commercial property and allows class 3a property to enter into a confession of judgment, with the approval of the county auditor.

The language also allows assessment authorities or municipalities to waive or abate repayment of a portion of special assessments when a confession of judgment is entered for class 3a property. If a

waiver is granted, all of the current-year taxes, special assessments, and penalties due at the time, along with a 20 percent down payment of the confession amount, must be paid. If an abatement and reassessment is authorized, the municipality must notify the county auditor of its intent to reassess, and no portion of the current and delinquent assessments will be required as part of the down payment.

The county can place conditions on 3a properties requesting a confession of judgment. These conditions can include environmental remediation action plans, restrictions, or covenants.

The confession of judgment format provided in statute has been altered under this language to reflect that two types of payment structures exist for confessions of judgment: 10 equal payments over 10 years, or 5 equal payments over 5 years.

Effective Date: July 1, 2013.

Redemption Periods

Chapter 143, Article 4, sections 24 and 25

Amends sections 281.14 and 281.17.

Under this language, the general redemption period for delinquent property is three years, with some exceptions, including certain lands located in targeted neighborhoods and property used for mixed municipal solid waste disposal facilities.

Effective Date: July 1, 2013.

Extension of Property Tax Due Dates for Commercial Seasonal Recreational Properties

Chapter 143, Article 4, section 44

Uncodified provision

This section extends, by two weeks, the time resort owners and other seasonal business owners had to pay their first-half of property taxes for taxes payable in 2013. The first half of property taxes must have been paid by June 14. This provision applies for taxes payable in 2013 only. Qualifying property classifications included 1c Ma and Pa Resorts, 4c Seasonal Residential Recreational Commercial (“resort”), and class 3a commercial. To qualify for the delayed payment, class 3a property must earn over 60 percent of gross income in the months of May, June, July, and August. Class 3a property must also include an affidavit with the payment attesting to compliance with that income requirement.

History: The extension addresses the poor start to the fishing season and slow start to the summer season due to inclement weather in Minnesota in the spring of 2013.

Effective Date: The day following final enactment.

Miscellaneous Provisions

Market Value Definitions

Article 14 of Chapter 143 is devoted to “clean up” of market value definitions that were needed due to a conversion of the homestead market value credit to a homestead market value exclusion in 2011.

Without these changes, the homestead market value exclusion would have affected the computation of these limits, including levy, tax, spending, debt, and similar limits.

Market Value Definition for County Fairgrounds Improvement Expenditures Chapter 143, Article 14, section 1

Amends section 38.18

This converts the criterion that lets a city, town, or school district to spend up to \$10,000 per year on county fairgrounds improvements to at least \$105 million of estimated (rather than taxable) market value).

Effective Date: July 1, 2013.

Market Value Definition for County Agriculture and Conservation Land Assistance Program Levy Chapter 143, Article 14, section 2

Amends section 40A.15

This converts the minimum levy required for a county to participate in the state agricultural land preservation and conservation assistance program to a percentage of estimated (rather than taxable) market value. The levy is capped at \$15,000.

Effective Date: Effective payable 2014.

Market Value Definition for State Police and Fire Aid Chapter 143, Article 14, sections 3, 4, and 5

Amends sections 69.011 and 69.021

This section modifies the definitions for state police and fire aid to refer to estimated (rather than an undefined) market value. Estimated market value is used to allocate the amount of fire aid among recipient jurisdictions, and for the purposes of these sections, includes tax exempt property.

The section provides for apportionment of state fire aid among recipient jurisdictions (cities, towns, and various other governmental units) based on estimated (rather than an undefined) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Auxiliary Forests
Chapter 143, Article 14, section 6**

Amends section 88.51

Under this section, the net tax capacity of land in an auxiliary forest should be based on estimated (rather than taxable) market value for all purposes except the levying of taxes.

Effective Date: July 1, 2013.

**Market Value Definition for Watershed Management Levies
Chapter 143, Article 14, sections 7 and 8**

Amends sections 103B.245 and 103B.251

These sections convert the limits on the watershed management tax district levy and watershed management organization bond levy in rural towns to limits based on 0.02418 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Lake Minnetonka Conservation District Funding Limit
Chapter 143, Article 14, section 9**

Amends section 103B.635

This converts the total funding limit that applies to the Lake Minnetonka Conservation District to 0.00242 percent of estimated (rather than taxable) market value. This limit may be exceeded by resolution of three-fourths of the participating municipalities.

Effective Date: July 1, 2013.

**Market Value Definition for White Bear Lake Conservation District Levy Limit
Chapter 143, Article 14, section 10**

Amends section 103B.691

This converts the levy limit for municipalities to fund the White Bear Lake Conservation District to 0.02418 percent of estimated (rather than taxable) market value. This affects the cities of White Bear Lake, Dellwood, and Mahtomedi. It also affects the town of White Bear.

Effective Date: Effective payable 2014.

**Market Value Definition for Watershed Districts
Chapter 143, Article 14, sections 11, 12, and 13**

Amends section 103D.905

This converts the cap on a watershed district's organizational expense fund, which is funded by a property tax levy, to a limit based on 0.01596 percent of estimated (rather than taxable) market value. This fund is capped at \$60,000.

This also converts the limit on a watershed district's general levy limit to 0.048 percent of estimated (rather than taxable) market value. The levy cannot exceed \$250,000. It also converts an additional 15-year levy for basic water management features, if petitioned for by 50 or more resident owners, to estimated market value.

The limit on a watershed district's survey and data acquisition levy limit is converted to 0.02418 percent of estimated (rather than taxable) market value. The levy may be imposed once every five years.

Effective Date: Effective payable 2014.

**Market Value Definition for Eminent Domain Blight Test
Chapter 143, Article 14, section 14**

Amends section 117.025

This modifies the definition of "structurally substandard" under the blight test in the eminent domain law to refer to estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Adjusted Net Tax Capacity Computation
Chapter 143, Article 14, section 15**

Amends section 127A.48

This section requires the Department of Revenue to compute adjusted net tax capacity (ANTC) values for cities and counties; it also codifies current Department of Revenue practice.

Effective Date: Effective payable 2014.

**Market Value Definition for County Historical Society Levy Limit
Chapter 143, Article 14, section 16**

Amends section 138.053

This converts the city and town levy limit for county historical societies to 0.02418 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Emergency Medical Service (EMS) District Levy Limit
Chapter 143, Article 14, section 17**

Amends section 144F.01

This converts the EMS taxing district levy limit to 0.048 percent of estimated (rather than taxable) market value. This levy is capped at \$400,000.

Effective Date: Effective payable 2014.

**Market Value Definition for County Roads and Bridges
Chapter 143, Article 14, sections 18, 19, 20, 21, and 22**

Amends sections 162.07, 163.04, 163.06, and 165.10

This language converts the county state aid highway (CSAH) formula for rural counties to 0.01596 percent of estimated (rather than taxable) market value. It also converts the levy calculation in the CSAH formula for urban counties to 0.00967 percent of estimated market value.

It modifies the exemption from a mandate on counties to spend CSAH money on bridge and dam improvements in statutory, third-, and fourth-class cities. This requirement now applies to cities with estimated (rather than taxable) market value of more than \$2,100 per capita.

It also modifies qualifying rules related to expenditure of the county road and bridge levy in unorganized towns so that valuation is based on estimated (rather than taxable) market value. An obsolete reference to base for the property tax on "money and credits" is repealed.

Finally, it converts the limit on county road and bridge bonds to 0.12089 percent of estimated (rather than taxable) market value. A reference to obsolete property tax on money and credits is also repealed.

Effective Date: Effective payable 2014 for tax levy purposes, effective the day following final enactment for the bond limits, and effective July 1, 2013 for the other provisions.

Market Value Definitions

Chapter 143, Article 14, section 23, 24, and 25

Amends sections 272.03 and 272.032

This language defines “estimated market value” for purposes of the property tax statutes as the assessor’s determination of market value, including any boards of equalization orders, for the parcel of property. The definition of estimated market for a taxing district in section 25 governs the computation of tax levy limits, debt limits, and state aid computations. This section gives a general definition of a parcel’s estimated market value.

The language also defines “taxable market value” for purposes of the property tax statutes as the estimated market value of the parcel reduced by market value exclusions and deferments of value. Other adjustments that reduce market value before class rates are applied.

Under current law, taxable market value is computed after (1) limited market value and (2) the “This Old House” valuation exclusion, but includes tax-exempt wind energy values. It also provides that market value does not reflect adjustments for TIF, fiscal disparities, and the power line credit. In applying the statute, Department of Revenue has excluded a range of minor valuation exclusions not referenced in the statute. This section now specifically references them and provides that estimated market value is the value before these adjustments.

By converting the limits to estimated market value, the definition will not reflect the reductions or shifts in value caused by the following:

- Deferrals- This is a policy change from current practice and will increase limits somewhat in areas with these properties.
- Exclusions, including the homestead market value exclusion enacted in 2011, as well as the more minor exclusions in prior law- This reflects either a change in the way the statute is written or Department of Revenue practice, but under prior law (before enactment of the homestead market value exclusion), these amounts were very minor.
- Adjustments to tax capacity, such as fiscal disparities and TIF- This matches current practice.

Current law required that tax-exempt wind energy property be added to taxable market value. This section reverses that provision, reflecting local administrative practices in the counties.

The measure of estimated market value for tax limits is the amount for the previous assessment year, while for debt limits it is the most recently available amount.

Limits under special law and city charters that are based on undefined market value are also converted to estimated market value.

Effective Date: Effective payable 2014 for tax and aid purposes, and effective the day following final enactment for debt limits.

**Platted Land Cross Reference
Chapter 143, Article 14, section 26**

Amends section 273.11

This corrects a cross reference to a subdivision relating to the value of platted land that was recodified as two subdivisions in 2008.

Effective Date: July 1, 2013.

**Elimination of Obsolete Reference in Tax Definition
Chapter 143, Article 14, section 29**

Amends section 273.13

This eliminates an obsolete reference to gross tax capacity.

Effective Date: Effective payable 2014.

**Market Value Definition for Disparity Reduction Aid and Credit
Chapter 143, Article 14, sections 30 and 31**

Amends section 273.1398

This requires taxable market values to be used in the computation of disparity reduction aid (DRA) and confirms the disparity reduction credit will continue to be computed using taxable market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Levy Limits Based on Mill Rates
Chapter 143, Article 14, section 32**

Amends section 275.011

This changes the law converting old special law and city charter provisions with levy or mill rate limits to provide increases based on the rate of growth in estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Correction of Town Levies
Chapter 143, Article 14, section 33**

Amends section 275.077

This modifies the thresholds used to determine to which year's levy a correction of mistakes in town levies will be added to a percentage of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Obsolete Levy Limit Law
Chapter 143, Article 14, section 34**

Amends section 275.71

This converts the growth factor under levy limits law last effective for the 2010 levy for commercial-industrial property to estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Contents of Tax Statement Cross Reference Update
Chapter 143, Article 14, section 35**

Amends section 276.04

This updates a cross-reference specifying the contents of the property tax statement to the new definition of taxable market value. It also eliminates an obsolete reference to limited market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Iron Range Fiscal Disparities
Chapter 143, Article 14, sections 36, 37, 38, 39, and 40**

Amends sections 276A.01 and 276A.06

This defines "adjusted market value," for the Iron Range fiscal disparities law, as taxable market value adjusted by the sales ratio. This change confirms existing practice.

It also clarifies, under the Iron Range Fiscal Disparities law, that:

- Fiscal capacity is based on adjusted market value.
- Average fiscal capacity is based on adjusted market value.
- Net tax capacity is based on taxable market value.

It eliminates the mandate that limits on levies, aid, taxes, debt, or salary based on values be adjusted to reflect the effect of the Iron Range fiscal disparities law. The section also clarifies computation of fiscal capacity (used to compute distributions) to be consistent with administrative practices.

Effective Date: Effective payable 2014.

**Market Value Definition for Allocation of Multicounty Mortgage Registry and Deed Tax Collections
Chapter 143, Article 14, sections 41 and 42**

Amends sections 287.08 and 287.23

This provides that the county portion of the mortgage registry tax paid for mortgages on properties in multiple counties is allocated using the estimated (rather than taxable) market value of the properties.

It provides the county portion of collections of deed tax, paid for properties in multiple counties, is allocated among the counties using estimated (rather than taxable) market value of the properties.

Effective Date: July 1, 2013.

**Market Value Definition for Employer Contributions to Volunteer Firefighters' Pensions
Chapter 143, Article 14, section 43**

Amends section 353G.08

This provides one-half of additional contributions to a volunteer firefighters' pension fund, required as a result of insufficient fund assets, to be allocated to employer-municipalities in proportion to their estimated (rather than taxable) market values.

Effective Date: July 1, 2013.

**Market Value Definition for Major Town Purchases
Chapter 143, Article 14, section 44**

Amends section 365.025

This converts the threshold that subjects large contracts for town purchases to reverse referendum authority to 0.24177 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Town Certificates of Indebtedness
Chapter 143, Article 14, section 45**

Amends section 366.095

This converts the threshold that subjects town issuance of certificates of indebtedness to reverse referendum authority to 0.25 percent of estimated (rather than taxable) market value.

Effective Date: Effective the day following enactment.

**Market Value Definition for Town Firefighter Relief Levy Limit
Chapter 143, Article 14, section 46**

Amends section 366.27

This converts the levy limit for firefighter pension benefits, applicable to towns with populations of 1,200 or more, to 0.00806 percent of estimated (rather than taxable) market value.

Effective Date: Effective for payable 2014.

**Market Value Definition for Towns' Certificates of Indebtedness
Chapter 143, Article 14, section 47**

Amends section 368.01

This converts the threshold that subjects metro area town issuance of certificates of indebtedness to reverse referendum authority to 0.24177 percent of estimated (rather than taxable) market value.

Effective Date: Effective day following enactment.

**Market Value Definition for Dissolution of Towns
Chapter 143, Article 14, section 48**

Amends section 368.47

This converts the criteria for dissolution of a town to the town's total estimated (rather than taxable) market value dropping below \$165,000.

Effective Date: July 1, 2013.

**Market Value Definition for County Boundary Changes
Chapter 143, Article 14, section 49**

Amends section 370.01

This converts the criteria for allowing changes in county boundaries to estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for County Capital Improvement Program (CIP) Bonds
Chapter 143, Article 14, sections 50 and 51**

Amends section 373.40

This eliminates the definition of “tax capacity” in the county Capital Improvement Program (CIP) bond law. It also converts the limit on county CIP bonds to 0.12 percent of estimated (rather than taxable) market value.

Effective Date: Effective day following enactment.

**Market Value Definition for County Spending Limit for Nonprofit Legal Assistance
Chapter 143, Article 14, section 52**

Amends section 375.167

This modifies the limit on the amount a county may spend to fund a nonprofit legal assistance corporation to 0.00604 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for County Courthouse Bonds
Chapter 143, Article 14, section 53**

Amends section 375.18

This converts the debt limit for county courthouse bonds that may be issued without an election to 0.0403 percent of estimated (rather than taxable) market value.

Effective Date: Effective day following enactment.

**Market Value Definition for County Emergency Jobs Program
Chapter 143, Article 14, section 54**

Amends section 375.555

This modifies the limit on the county levy for an emergency jobs program to 0.01209 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Hennepin County Reserve and Building Maintenance Levy Limit
Chapter 143, Article 14, section 55**

Amends section 383B.152

This converts the Hennepin County reserve and building maintenance levy limit to 0.02215 percent of estimated (rather than taxable) market value.

Effective Date: Effective for payable 2014.

**Market Value Definition for Hennepin County Library Levy Limit
Chapter 143, Article 14, section 56**

Amends section 383B.245

This converts the Hennepin County Library levy limit to 0.01612 percent of estimated (rather than taxable) market value.

Effective Date: The day following final enactment.

**Market Value Definition for Three Rivers Park District Levy Limit
Chapter 143, Article 14, section 57**

Amends section 383B.73

This converts the levy limit for the Three Rivers Park District to 0.03224 percent of estimated (rather than taxable) market value.

Effective Date: Effective for payable 2014.

**Market Value Definition for Anoka County Library Debt and Levy Limits
Chapter 143, Article 14, sections 58 and 59**

Amends sections 383E.20 and 383E.23

This converts the debt limit (expressed relative to the maximum annual payment of principal and interest) on Anoka County Library bonds to 0.01 percent of estimated (rather than taxable) market value.

It also converts the Anoka County Library levy limit from 0.01 percent of taxable market value to 0.01 percent of estimated market value.

Effective Date: Effective day following enactment for the bond limit and effective payable 2014 for the levy limit.

**Market Value Definition for County Interfund Borrowing
Chapter 143, Article 14, section 60**

Amends section 385.31

This converts the minimum size threshold for a county to engage in interfund borrowing to \$1.033 billion of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Continuance of Nonconforming Land Uses
Chapter 143, Article 14, section 61**

Amends section 394.36

This modifies the exception to the authority to continue nonconforming land uses if more than 50 percent of the market value of the building or structure is destroyed by fire or natural disaster. The test is now based on estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Regional Rail Authority Levy Limit
Chapter 143, Article 14, section 62**

Amends section 398A.04

This converts the regional rail authority levy limit to 0.04835 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Community Corrections Rent Limit
Chapter 143, Article 14, section 63**

Amends section 401.05

This converts the rent limit in the law permitting lease-revenue bond financing of community corrections facilities from 0.1 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Capital Notes Debt Limit
Chapter 143, Article 14, section 64**

Amends section 410.32

This converts the debt limit that applies to capital notes issued without an election by a home rule charter city from 0.03 percent of estimated (rather than taxable) market value.

Effective Date: Effective day following enactment.

**Market Value Definition for Conditional Sale Contracts and Contracts for Deed Purchases
Chapter 143, Article 14, section 65**

Amends section 412.221

This converts the threshold that subjects conditional sale contracts and contracts for deed purchases by statutory cities, to reverse referendum authority to 0.24177 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Statutory Cities' Certificates of Indebtedness
Chapter 143, Article 14, section 66**

Amends section 412.301

This converts the threshold that subjects statutory cities' issuance of certificates of indebtedness to reverse referendum authority to 0.25 percent of estimated (rather than taxable) market value.

Effective Date: Effective day after enactment.

**Market Value Definition for Special Service Districts Test
Chapter 143, Article 14, section 67**

Amends section 428A.02

This modifies the test to determine whether a split-use property in a special service district is subject in full or proportionately to the charges or levies to 50 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Pedestrian Mall Improvements Levy Limit
Chapter 143, Article 14, section 68**

Amends section 430.102

This converts the levy limit for special city tax for pedestrian mall improvements to 0.12089 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for First-Class City Hospital Levy
Chapter 143, Article 14, section 69**

Amends section 447.10

This converts the authorized levy for operation of a first-class city-owned hospital to 0.0806 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Campground Levy
Chapter 143, Article 14, section 70**

Amends section 450.19

This converts the authorized levy for operation and maintenance of a city or town tourist camping ground to 0.0806 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Hennepin County Park Museum Levy
Chapter 143, Article 14, section 71**

Amends section 450.25

This converts the Hennepin County park museum levy (used for the Minneapolis Museum Institute of Arts) to 0.00846 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for St. Cloud Transit Commission Levy
Chapter 143, Article 14, section 72**

Amends section 458A.10

This converts the limits on the St. Cloud Transit Commission property tax levy to 0.12089 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Duluth Transit Commission Levy
Chapter 143, Article 14, section 73**

Amends section 458A.31

This converts the limits on the Duluth Transit Commission property tax levy to 0.07253 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Cities and Acceptance of Conditional Gifts
Chapter 143, Article 14, section 74**

Amends section 465.04

This converts the qualifying rule for allowing second-, third-, and fourth-class cities to accept gifts with conditions to having an estimated (rather than taxable) market value of \$41 million.

Effective Date: July 1, 2013.

**Market Value Definition for Housing and Redevelopment Authority Levy and Bond Limits
Chapter 143, Article 14, sections 75 and 76**

Amends sections 469.033 and 469.034

This converts the levy limit for housing and redevelopment authorities (HRAs) to 0.0185 percent of estimated (rather than taxable) market value.

It also converts the limit on the issuance of general obligation HRA bonds to 0.5 percent of estimated (rather than taxable) market value.

Effective Date: Effective day following enactment for the bond limits and effective payable 2014 for the levy limit.

**Market Value Definition for Port Authorities
Chapter 143, Article 14, sections 77, 78, and 79**

Amends section 469.053

This language converts the levy limit for the mandatory port authority levy – which the city must levy on behalf of the port authority – to 0.01813 percent of estimated (rather than taxable) market value.

It also converts the maximum basic levy of the Seaway Port Authority – which levies as a special tax district, rather than requiring the city to levy its tax as other port authorities do – to 0.01813 percent of estimated (rather than taxable) market value.

It converts the limit for the discretionary port authority levy – which the city may levy on behalf of the port authority – to 0.00282 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Economic Development Authority City Levy
Chapter 143, Article 14, section 80**

Amends section 469.107

This converts the economic development authority city levy to 0.01813 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Multicounty Economic Development Levy
Chapter 143, Article 14, section 81**

Amends section 469.180

This converts the levy for county contributions to a multicounty, nonprofit economic development corporation to 0.0008 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for First-Class City Publicity Levy
Chapter 143, Article 14, section 82**

Amends section 469.187

This converts the authorized first-class city publicity levy to 0.0008 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Hazardous Property Penalty
Chapter 143, Article 14, section 83**

Amends section 469.206

This converts the limit on the penalty a city may assess on hazardous properties to 1 percent of estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Joint Maintenance of Cemeteries
Chapter 143, Article 14, section 84**

Amends section 471.24

This modifies the law allowing contiguous towns and statutory cities to agree to jointly maintain public cemeteries, if each has a minimum market value of \$2 million. The minimum market value requirement will be based on estimated (rather than taxable) market value.

Effective Date: July 1, 2013.

**Market Value Definition for Taconite Cities
Chapter 143, Article 14, sections 85 and 86**

Amends section 471.571

This modifies the minimum requirement (\$2.5 million) of taconite and iron ore value that permits a city to establish a permanent improvement fund to being based on estimated (rather than taxable) market value.

It also converts calculation of the levy limits for the permanent improvement fund for taconite cities to 0.08059 percent of estimated (rather than taxable) market value.

Effective Date: Effective payable 2014 for the levy limit and effective July 1, 2013 for the value threshold.

**Acceptance of 1943 Law Applying to Cities with High Concentrations of Iron Ore Value
Chapter 143, Article 14, section 87**

Amends section 471.73

This modifies references in the acceptance section of an old law, regulating financial practices which applied to cities with more than half of their value in unmined iron ore value, to refer to estimated market value.

Effective Date: The day following final enactment for debt purposes and otherwise on July 1, 2013.

**Market Value Definition for Metropolitan Council Debt Limit
Chapter 143, Article 14, section 88**

Amends section 473.325

This converts the Metropolitan Council's debt limit to 0.01209 percent of estimated (rather than taxable) market value.

Effective Date: Effective day following enactment.

**Market Value Definition for School District Debt Limits
Chapter 143, Article 14, section 89**

Amends section 473.629

This converts the statute that adjusts school district debt limits for districts affected by airport detachments to estimated (rather than taxable) market value. It also updates the statutory language to reflect that these detachments have already occurred.

Effective Date: Effective day following enactment.

**Market Value Definition for Metropolitan Airports Commission (MAC) Levy Limits
Chapter 143, Article 14, sections 90, 91, and 92**

Amends sections 473.661, 473.667, and 473.671

This converts the MAC's:

- levy limit for general budget purposes to 0.00806 percent of estimated (rather than taxable) market value
- additional levy limit (beyond what is necessary to pay its general obligation revenue bonds) to 0.00121 percent of estimated (rather than taxable) market value
- levy limit to 0.00806 percent of estimated (rather than taxable) market value

Effective Date: Effective for payable 2014.

**Market Value Definition for Metropolitan Mosquito Control Commission (MMCC) Levy Limit Growth Rate
Chapter 143, Article 14, section 93**

Amends section 473.711

This converts the rate of growth in the MMCC's levy limit to the growth in its estimated (rather than taxable) market value.

Effective Date: Effective payable 2014.

**Market Value Definition for Metro Area Fiscal Disparities
Chapter 143, Article 14, sections 94, 95, 96, 97, and 98**

Amends sections 473F.02 and 473F.08

This defines "adjusted market value," for the purposes of the metropolitan area fiscal disparities law to be taxable market value, adjusted by the assessment sales ratio. This change confirms existing practice.

It clarifies fiscal capacity under the metropolitan area fiscal disparities law is based on adjusted market value.

It also clarifies average fiscal capacity under the area fiscal disparities law is based on adjusted market value and that net tax capacity under the metropolitan area fiscal disparities law is based on taxable market value.

It eliminates the mandate that limits on levies, aid, taxes, debt, or salary based on values be adjusted to reflect the effect of the fiscal disparities law and clarifies computation of fiscal capacity to be consistent with administrative practices.

Effective Date: Effective payable 2014.

**Market Value Definition for City Capital Improvement Program (CIP) Bonds
Chapter 143, Article 14, section 99**

Amends section 475.521

This converts the limit that applies under the city CIP bond law to 0.16 percent of estimated (rather than taxable) market value.

Effective Date: The day following final enactment.

**Market Value Definition for Net Debt Limits
Chapter 143, Article 14, sections 100, 101, and 102**

Amends section 475.53

This converts the general net debt limit to 3 percent of estimated (rather than taxable) market value. The general net debt limit applies to municipalities other than school districts and first-class cities.

It also converts the net debt limit that applies to first-class cities to percentages of estimated (rather than taxable) market value.

It also converts the net debt limit that applies to school districts to 15 percent of estimated (rather than taxable) market value and clarifies the values may be adjusted by the assessor's sales ratio if that results in a higher limit.

Effective Date: The day following final enactment.

**Market Value Definition for Refunding Bonds
Chapter 143, Article 14, section 103**

Amends section 475.58

This converts the debt threshold that allows a city, county, town, or school to issue refunding bonds without holding an election to 1.62 percent of estimated (rather than taxable) market value.

Effective Date: The day following final enactment.

**Market Value Definition for Bonds Qualifying for State Board of Investment (SBI) Purchase
Chapter 143, Article 14, section 104**

Amends section 475.73

This converts the maximum limit on Minnesota municipal bond purchases by the State Board of Investment (SBI) to 3.63 percent of the issuer's estimated (rather than taxable) market value.

Effective Date: The day following final enactment.

**Local Government Aid Cross Reference Update
Chapter 143, Article 14, section 105**

Amends section 477A.011

This updates the reference to city net tax capacity in the local government aid (LGA) statute to the recodified section that provides for calculation of Adjusted Net Tax Capacities (ANTC).

Effective Date: Effective for payable 2014.

**County Program Aid Cross Reference Update
Chapter 143, Article 14, section 106**

Amends section 477A.0124

This updates the reference to county net tax capacity in the county program aid statute to the recodified section that provides for calculation of adjusted net tax capacities (ANTCs).

Effective Date: Effective for payable 2014.

**Market Value Definition for County Jail Tax Levy and Rent Limit
Chapter 143, Article 14, sections 107 and 108**

Amends sections 641.23 and 641.24

This converts the annual tax levy permitted to pay county jail bonds issued without an election to 0.09671 percent of estimated (rather than taxable) market value. It also converts the rent limit in the law permitting lease-revenue bond financing of county jails to 0.1 percent of estimated (rather than taxable) market value.

Effective Date: Effective day after enactment for the debt limits and effective July 1, 2013 for the rent limits.

**Estimated Market Value Definition
Chapter 143, Article 14, section 109**

Amends section 645.44

This section adds a definition of “estimated market value” to the general definition section of the statutes.

Effective Date: Effective the day following final enactment for debt purposes, effective payable 2014 for taxes and aids, and effective July 1, 2013 for all other purposes.

**Revisor's Instructions for Recodification of Adjusted Net Tax Capacity Statutes
Chapter 143, Article 14, section 110**

This language directs the Revisor of Statutes to recodify the statute governing calculation of adjusted net tax capacities (ANTCs) in the property tax statutes. This law is currently codified in the school finance law, but it largely relates to computation of aids paid to cities and counties and is the primary responsibility of the Commissioner of Revenue.

Effective Date: Effective payable 2014.

**Repealer for Market Value Definition
Chapter 143, Article 14, section 111**

REPEALS section 276A.01, subdivision 11 and section 473F.02, subdivision 13 where the definition of "valuation" has been replaced in both the Iron Range and Metropolitan fiscal disparities laws.

REPEALS section 477A.011, subdivision 21 because the definition of "equalized market value" in the local government aid statute is replaced by the use of adjusted net tax capacity.

Effective Date: Effective payable 2014.

Reports Required

**Minneapolis and St. Paul Entertainment Facilities Coordination Study
Chapter 143, Article 4, section 39**

Uncodified provision

This section requires the cities of Minneapolis and St. Paul to report to the Legislature by February 1, 2014, on a joint governing structure for the professional sports arenas/entertainment facilities in the two cities. It also requires the Commissioner of Administration to contract with a consultant to conduct all or a portion of the study. Minneapolis and St. Paul must together to pay half of the cost of the consultant contract. The cities must also do the study with representatives of the primary professional sports team tenants of each facility.

The study must:

1. Examine the finances of each arena, including past and projected costs and revenues, projected capital improvements, and the current and projected impact of each arena on each city's general fund.
2. Determine the impact of joint governance on the future finances of each city.
3. Examine joint scheduling, marketing, and promotion of events at the arenas (either as a joint governing structure or separate entities).
4. Estimate the amount of funding required – if any – to operate and maintain the arenas under joint governance.

This section also provides a one-time general fund appropriation of \$50,000 to the Commissioner of Administration to pay up to half of the cost of the consultant contract.

This language also includes a purpose statement regarding the financing and governance of entertainment facilities/ professional sports stadiums in the cities of St. Paul and Minneapolis.

Effective Date: The day following final enactment.

**Report on Class 4d Tier Structure
Chapter 143, Article 4, section 45**

Uncodified provision

This language requires the commissioners of Revenue and Housing Finance (Minnesota Housing Finance Agency/MHFA) to report to the Legislature on the implementation and effect of the changes to the class 4d (low-income housing) tier structure found in Article 4, section 18. The report must include the number of class 4d properties subject to the new second-tier for taxes payable in 2015, as well as the tax impact of the second tier class rate. The report must also include an analysis of the characteristics of the properties to which the second tier class rate applies (such as: location, building type, and number of units). The report is due by January 31, 2015.

Effective Date: This section is effective July 1, 2013.

**Report and Study on Certain Property Used in Business and Production; Assessment Moratorium
Chapter 143, Article 4, section 46**

Uncodified provision

This provision imposes a moratorium on changes in the property tax assessment of properties used in the production of biofuels, wine, beer, distilled beverages, or dairy products for taxes payable in 2014 and 2015 only. This provision also requires the Commissioner of Revenue to study the functions and tax status of various components of the facilities of the affected industries, make recommendations regarding taxation, and identify potential impacts of those tax-base recommendations. The report must detail current assessment practices, and make recommendations to improve assessment policy. The commissioner must report the findings of this study to the Legislature by February 1, 2014.

History: A bill was introduced during the 2012 legislative session (HF 2742) that would have exempted “fermentation tanks and beer wells which are part of a biofuels production process, regardless of attachment to or installation in real property, and regardless of size, weight, or method of attachment or installation [i.e., whether they perform a shelter function or not].” This bill was not enacted.

The Department of Revenue’s current interpretation is that equipment-like property that provides a shelter function is not exempt as personal property. In *Southern Minnesota Beet Sugar Coop v. County of Renville*, 2007 (737 N.W.2d 545), the state Supreme Court upheld the definition of taxable real property to include tanks, bins, and silos that had walls, a roof or ceiling, and floors that provided a shelter function. The court noted that the terms “real property” and “equipment” are not mutually exclusive,

and therefore property may be considered “equipment”. However, the exterior shell is considered real property if it has been attached to or installed in real property; has an exterior shell that provides structural, insulation, or temperature control functions; or provides protection from the elements. In this specific case, the court found that the involved tanks, bins, and silos had walls, a roof/ceiling, and floors. The court held that the exterior shell performed a structural function of shelter from the elements. Members of the ethanol industry had concerns regarding the court case, and were part of the request for a property tax exemption during the 2013 session. In the end, the Department of Revenue and affected industries agreed to the review of affected industries and a temporary moratorium on assessment changes.

Effective Date: July 1, 2013.

**Property Tax Savings Report
Chapter 143, Article 4, section 47**

Uncodified provision

This section requires each city with a population over 500 and each county to include with its certification of proposed levy a separate statement of how much sales and use tax it paid – or estimates that it paid – in 2012. The language also requires the Truth In Taxation (TNT) notice to include a separate statement providing a list of sales and use taxes certified by the cities and county. At the TNT public hearing, the county and city must discuss how it will use the savings from the sales tax exemption provided in Article 8, section 29 (amending section 297A.70, subd. 2, paragraph (a), clause (2)) to provide property tax relief.

The language regarding TNT notices is effective for notices for taxes payable in 2014 only.

Effective Date: The day following final enactment (taxes levied in 2013 and payable in 2014).

Other Miscellaneous Provisions

**Financial Assistance
Chapter 143, Article 4, section 3**

Amends section 103B.3369, subdivision 5

This section requires a county that implements a water implementation tax to raise matching funds for base grants awarded by Board of Water and Soil Resources (BWSR) to levy at a rate sufficient to generate a minimum amount (to be determined by BWSR). Authorizes the use of funds raised by county conservation fees (a \$5 fee on mortgage and deed recordings/registrations) to be used as matching funds for the base grants and to address high-priority needs in local water management plans or comprehensive watershed management plans.

Effective Date: July 1, 2013.

Reimbursement for Property Tax Abatements
Chapter 143, Article 4, section 40

Uncodified provision

This section requires the Commissioner of Revenue to reimburse taxing units in Hennepin County for property tax abatements granted because of a tornado that damaged parts of Minneapolis and the northern metro area in 2011. The language also provides an appropriation of \$336,000 from the general fund for fiscal year 2014.

Effective Date: The day following final enactment.

Definitions [Split Residential Property Parcel]
Chapter 143, Article 17, section 1

Amends section 123A.455

This technical change updates a cross reference under the definition of “split residential property parcel”. The cross reference is updated to reflect the repeal of class 4bb(2) property under Article 17, section 10.

Effective Date: Effective payable 2014.

Listing Leased Personal Property
Chapter 143, Article 17, section 18

REPEALS section 272.69

This item repeals a requirement that any person engaged in the business of leasing items of tangible personal property which are subject to personal property taxation file with the Commissioner of Revenue a listing of all items of personal property in possession of a lessee under a lease, rental purchase option, or similar agreement. Because personal property is not taxed and this list is not needed by the Commissioner of Revenue, the provision was repealed. This was a recommendation of the Department of Revenue.

Effective Date: The day following final enactment.

Civil Marriage Between Two Persons
Laws 2013 Chapter 74

While not directly a property tax law, Chapter 74, which allows for civil marriage between two persons, will affect property tax provisions for spouses. This includes, but is not limited to:

- Homestead provisions in Minnesota Statutes, section 273.124, including homestead situations for spouses living separately

Miscellaneous Items

- Ownership requirements that affect married individuals such as the 1b blind/disabled homestead classification and the disabled veterans' market value exclusion under section 273.13
- Transfer of ownership provisions for Green Acres and Rural Preserve under sections 273.111 and 273.114

Tax administrators are not required to change any procedures related to treatment of spouses for property tax purposes. However, please note that these law changes may affect many individuals statewide, and property owners may have questions.

Effective Date: August 1, 2013.

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Classification Rates - 2013 Assessment

Class	Description	Tiers	Class Rate	State General 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	Mirgrant Housing	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
2a	Agricultural Homestead - House, Garage, 1 Acre (HGA)	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
2a/2b	Agricultural Homestead - First Tier	First \$1,500,000	0.50%	N/A
2a/2b	Farm Entities Excess First Tier	Unused First \$1,500,000	0.50%	N/A
2a	Agricultural - Nonhomestead or Excess 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 Generation 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%
4a	Residential Nonhomestead 4+ Units (Apartments)		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	Residential Non-Homestead Single Unit; incl. on ag land	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	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

Classification Rates - 2014 Assessment

Class	Description	Tiers	Class Rate	State General 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	Mirgrant Housing	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
2a	Agricultural Homestead - House, Garage, 1 Acre (HGA)	First \$500,000	1.00%	N/A
		Over \$500,000	1.25%	N/A
2a/2b	Agricultural Homestead - First Tier	*** TBD - 2014 ***	0.50%	N/A
2a/2b	Farm Entities Excess First Tier	Unused First Tier	0.50%	N/A
2a	Agricultural - Nonhomestead or Excess 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 Generation 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%
4a	Residential Nonhomestead 4+ Units (Apartments)		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	Residential Non-Homestead Single Unit; incl. on ag land	First \$500,000	1.00%	N/A
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		\$76,000 - \$500,000	1.00%	1.00%
		Over \$500,000	1.25%	1.25%
4d	Low Income Rental Housing (Per Unit)	First \$100,000	0.75%	N/A
		Over \$100,000	0.25%	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

