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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 1638

03/20/2013 Authored by Lien, Marquart, Kiel and McNamar
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; property; providing for an annual adjustment in the rate
1.3 of the disparity reduction credit; amending Minnesota Statutes 2012, section
1.4 273.1398, subdivision 4.
1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

1.7 Subd. 4. **Disparity reduction credit.** (a) ~~Beginning with taxes payable in 1989,~~
1.8 Class 4a, 4d, and class 3a property qualifies for a disparity reduction credit if: (1) the
1.9 property is located in a border city that has an enterprise zone, as defined in section
1.10 469.166; (2) the property is located in a city with a population greater than 2,500 and less
1.11 than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in
1.12 another state or immediately adjacent to a city adjacent to a city in another state; and (4)
1.13 the adjacent city in the other state has a population of greater than 5,000 and less than
1.14 75,000 according to the 1980 decennial census.

1.15 (b) By January 2 of each year, the commissioner of revenue must determine the
1.16 effective tax rate for the taxing district with the lowest effective tax rate in each city
1.17 described in paragraph (a), clause (4), for properties equivalent to class 3a, 4a, and 4d
1.18 property, for taxes payable in the current year. For the purposes of this subdivision,
1.19 "effective tax rate" for a class of property means the net tax on a property of that type,
1.20 including any discount for early payment, divided by the property's estimated market
1.21 value. For the purposes of this paragraph, the lowest effective tax rate for a city includes
1.22 the tax rates of any contiguous cities in the same state with a population greater than 5,000
1.23 and less than 75,000 according to the 1980 decennial census.

2.1 ~~(b)~~ (c) The credit is an amount sufficient to reduce ~~(i)~~ the taxes levied on class 4a,
2.2 4d, and property to 2.3 percent of the property's market value and (ii) the tax on class 3a
2.3 property to the lesser of (1) 2.3 percent of market value, or (2) the most recent effective
2.4 tax rate determined by the commissioner under paragraph (b) for that type of property in
2.5 the corresponding adjacent city.

2.6 ~~(e)~~ (d) The county auditor shall annually certify the costs of the credits to the
2.7 Department of Revenue. The department shall reimburse local governments for the
2.8 property taxes forgone as the result of the credits in proportion to their total levies.

2.9 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.