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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **2427**

03/08/2016 Authored by Atkins and Hertaus  
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; reducing the fiscal disparities contribution  
1.3 percentage for certain cities in the metropolitan area; appropriating money;  
1.4 amending Minnesota Statutes 2014, sections 473F.07, subdivision 1; 473F.08,  
1.5 subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 473F.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2014, section 473F.07, subdivision 1, is amended to read:

1.8 Subdivision 1. **Contribution net tax capacity; areawide net tax capacity.** (a)  
1.9 Each county auditor shall determine each municipality's contribution net tax capacity as  
1.10 30 percent of the amount determined under section 473F.06 for cities with a population  
1.11 of less than 15,000, or 40 percent of the amount determined under section 473F.06 for  
1.12 all other municipalities. The auditor must certify each municipality's contribution net tax  
1.13 capacity and the determinations under sections 473F.05 and 473F.06 to the administrative  
1.14 auditor on or before August 1 of each year.

1.15 (b) The administrative auditor shall determine an amount equal to 40 percent of the  
1.16 sum of the amounts certified under section 473F.06. The resulting amount shall be known  
1.17 as the "areawide net tax capacity for .....(year)."

1.18 (c) The administrative auditor must determine the state's contribution net tax capacity  
1.19 as the difference between the areawide net tax capacity and the sum of the contribution net  
1.20 tax capacity amounts for all municipalities determined under paragraph (a).

1.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2017 and  
1.22 thereafter.

1.23 Sec. 2. Minnesota Statutes 2014, section 473F.08, subdivision 2, is amended to read:

2.1 Subd. 2. **Computation of net tax capacity.** The net tax capacity of a governmental  
 2.2 unit is its net tax capacity, as determined in accordance with other provisions of law  
 2.3 including section 469.177, subdivision 3, subject to the following adjustments:

2.4 (a) There shall be subtracted from its net tax capacity, in each municipality in which  
 2.5 the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the  
 2.6 same proportion to ~~40 percent of the amount certified in that year under sections 473F.06~~  
 2.7 ~~and 473F.07 for the municipality~~ the municipality's contribution net tax capacity as the  
 2.8 total preceding year's net tax capacity of commercial-industrial property which is subject  
 2.9 to the taxing jurisdiction of the governmental unit within the municipality, determined  
 2.10 without regard to section 469.177, subdivision 3, bears to the total preceding year's net tax  
 2.11 capacity of commercial-industrial property within the municipality, determined without  
 2.12 regard to section 469.177, subdivision 3;

2.13 (b) There shall be added to its net tax capacity, in each municipality in which the  
 2.14 governmental unit exercises ad valorem taxing jurisdiction, an amount which bears  
 2.15 the same proportion to the areawide net tax capacity for the year attributable to that  
 2.16 municipality as the total preceding year's net tax capacity of residential property which is  
 2.17 subject to the taxing jurisdiction of the governmental unit within the municipality bears to  
 2.18 the total preceding year's net tax capacity of residential property of the municipality.

2.19 **EFFECTIVE DATE.** This section is effective for taxes payable in 2017 and  
 2.20 thereafter.

2.21 Sec. 3. **[473F.14] STATE OF MINNESOTA PAYMENT.**

2.22 (a) The administrative auditor must determine the state's fiscal disparities payment  
 2.23 by multiplying the state's contribution net tax capacity determined under section 473F.07,  
 2.24 subdivision 1, by the areawide tax rate determined under section 473F.08, subdivision 5.  
 2.25 By November 1 of each year, the administrative auditor must notify the commissioner  
 2.26 of revenue of the state's fiscal disparities payment for taxes payable in the following  
 2.27 calendar year.

2.28 (b) The commissioner of revenue must submit the payment certified under paragraph  
 2.29 (a) to the administrative auditor in two equal installments, on June 1 and November 1 each  
 2.30 year. A sum sufficient to meet the obligations under this section is annually appropriated  
 2.31 from the general fund to the commissioner of revenue.

2.32 **EFFECTIVE DATE.** This section is effective for taxes payable in 2017 and  
 2.33 thereafter.