A bill for an act

relating to the financing and operation of state and local government; modifying property tax provisions, credits, and levies; providing a homestead credit state refund; increasing property tax refunds; providing a school bond agricultural credit; adding an income tax bracket and rate; amending Minnesota Statutes 2006, sections 123B.53, subdivisions 4, 5; 123B.54; 126C.01, by adding a subdivision; 126C.10, subdivision 13a; 126C.17, subdivision 6; 127A.48, by adding a subdivision; 273.11, subdivision 1a; 273.1384, subdivision 1; 273.1393; 275.065, subdivision 3; 275.07, subdivision 2; 275.08, subdivision 1b; 276.04, subdivision 2; 290.06, subdivisions 2c, 2d; 290A.03, subdivision 13; 290A.04, subdivisions 2a, 2h, 3, 4, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 123B; repealing Minnesota Statutes 2006, section 290A.04, subdivisions 2, 2b.

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

ARTICLE 1
HOMESTEAD CREDIT STATE REFUND
HOMEOWNERS AND RENTERS

Section 1. Minnesota Statutes 2006, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. **Residential homestead market value credit.** (a) Each county auditor shall determine a homestead credit for each class 1a, 1b, and 2a homestead property within the county equal to 0.4 percent of the first $76,000 of market value of the property minus .09 percent of the market value in excess of $76,000. The credit amount may not be less than zero. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead credit. In the case of a property that is classified as part homestead and part nonhomestead, (i) the credit shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the credit amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

(b) For property taxes payable in 2008 and thereafter, the county auditor shall determine the amount of the homestead credit under paragraph (a) and this paragraph. The county auditor shall report the amount of the credit to the taxpayer on the property tax statement or in another manner, as authorized by the commissioner of revenue. The amount of the credit allowed for the property taxes payable year is to be computed as the following percentage of the credit amount under paragraph (a):

(1) for property taxes payable in 2008, 100 percent;

(2) for property taxes payable in 2009, 60 percent;

(3) for property taxes payable in 2010, 30 percent; and

(4) for property taxes payable in 2011 or thereafter, no credit is allowed.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2008.

Sec. 2. Minnesota Statutes 2006, section 276.04, subdivision 2, is amended to read:

Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value under section 273.11, subdivision 1;

(2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;

(3) ~~the property's gross tax, calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4);~~ any items required by the commissioner of revenue under section 273.1384, subdivision 1, paragraph (b); and

~~(4) a total of the following aids:~~

~~(i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;~~

~~(ii) local government aids for cities, towns, and counties under sections 477A.011 to 477A.04; and~~

~~(iii) disparity reduction aid under section 273.1398;~~

~~(5) for homestead residential and agricultural properties, the credits under section 273.1384;~~

~~(6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and~~

~~(7)~~ (4) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

~~The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in paragraph (c), clause (4), that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2008 and thereafter.

Sec. 3. Minnesota Statutes 2006, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, ~~273.1384,~~ 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. Beginning for property taxes payable in 2008, the amount of the credit under section 273.1384, subdivision 1, must not be deducted in computing property taxes payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 19 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective beginning for refund claims based on property taxes payable in 2008.

Sec. 4. Minnesota Statutes 2006, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. **Renters.** (a) A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
~~$0 to 3,589~~	1.0 percent	5 percent	~~$1,190~~
$0 to 4,579			$1,500
~~3,590 to 4,779~~	1.0 percent	10 percent	~~$1,190~~
4,580 to 6,099			$1,500
~~4,780 to 5,969~~	1.1 percent	10 percent	~~$1,190~~
6,100 to 7,619			$1,500
~~5,970 to 8,369~~	1.2 percent	10 percent	~~$1,190~~
7,620 to 10,669			$1,500
~~8,370 to 10,759~~	1.3 percent	15 percent	~~$1,190~~
10,670 to 13,729			$1,500
~~10,760 to 11,949~~	1.4 percent	15 percent	~~$1,190~~
13,730 to 15,239			$1,500
~~11,950 to 13,139~~	1.4 percent	20 percent	~~$1,190~~
15,240 to 16,769			$1,500

~~13,140 to 15,539~~	1.5 percent	20 percent	~~$1,190~~
16,770 to 19,829			$1,500
~~15,540 to 16,729~~	1.6 percent	20 percent	~~$1,190~~
19,830 to 21,349			$1,500
~~16,730 to 17,919~~	1.7 percent	25 percent	~~$1,190~~
21,350 to 22,859			$1,500
~~17,920 to 20,319~~	1.8 percent	25 percent	~~$1,190~~
22,860 to 25,929			$1,500
~~20,320 to 21,509~~	1.9 percent	30 percent	~~$1,190~~
25,930 to 27,439			$1,500
~~21,510 to 22,699~~	2.0 percent	30 percent	~~$1,190~~
27,440 to 28,959			$1,500
~~22,700 to 23,899~~	2.2 percent	30 percent	~~$1,190~~
28,960 to 30,499			$1,500
~~23,900 to 25,089~~	2.4 percent	30 percent	~~$1,190~~
30,500 to 32,009			$1,500
~~25,090 to 26,289~~	2.6 percent	35 percent	~~$1,190~~
32,010 to 33,539			$1,500
~~26,290 to 27,489~~	2.7 percent	35 percent	~~$1,190~~
33,540 to 35,079			$1,500
~~27,490 to 28,679~~	2.8 percent	35 percent	~~$1,190~~
35,080 to 36,589			$1,500
~~28,680 to 29,869~~	2.9 percent	40 percent	~~$1,190~~
36,590 to 38,109			$1,500
~~29,870 to 31,079~~	3.0 percent	40 percent	~~$1,190~~
38,110 to 39,649			$1,500
~~31,080 to 32,269~~	3.1 percent	40 percent	~~$1,190~~
39,650 to 41,169			$1,500
~~32,270 to 33,459~~	3.2 percent	40 percent	~~$1,190~~
41,170 to 42,689			$1,500
~~33,460 to 34,649~~	3.3 percent	45 percent	~~$1,080~~
42,690 to 49,729			$1,370
~~34,650 to 35,849~~	3.4 percent	45 percent	~~$ 960~~
49,730 to 51,459			$1,220
~~35,850 to 37,049~~	3.5 percent	45 percent	~~$ 830~~
51,460 to 53,189			$1,050
~~37,050 to 38,239~~	3.5 percent	50 percent	~~$ 720~~
53,190 to 54,899			$910
~~38,240 to 39,439~~	3.5 percent	50 percent	~~$ 600~~
54,900 to 56,609			$760
~~38,440 to 40,629~~	3.5 percent	50 percent	~~$ 360~~
56,610 to 58,319			$450

~~40,630 to 41,819~~	3.5 percent	50 percent	~~$ 120~~
58,320 to 60,000			$150

(b) The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~$41,820~~ $60,000 or more.

EFFECTIVE DATE. This section is effective beginning for claims filed for rent paid after December 31, 2006.

Sec. 5. Minnesota Statutes 2006, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. **Additional refund.** (a) If the gross property taxes payable on a homestead increase more than 12 percent over the property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is $100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's property taxes payable or $100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16, or to the reduction in and elimination of the homestead market value credit under section 273.1384, subdivision 1, paragraph (b).

The maximum refund allowed under this subdivision is $1,000.

(b) For purposes of this subdivision "gross property taxes payable" means property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

EFFECTIVE DATE. This section is effective for claims based on property taxes payable in 2008 and thereafter.

Sec. 6. Minnesota Statutes 2006, section 290A.04, is amended by adding a subdivision to read:

Subd. 2k. **Homestead credit state refund.** (a) A claimant who is a homeowner is entitled to a state refund of the amount of the property taxes payable in excess of two percent of the claimant's household income, based on the percentage and maximum for the appropriate household income level shown below. The refund amount determined from the table must be reduced further by the amount of the homestead market value credit under section 273.1384, subdivision 1, paragraph (b), but not to an amount that is less than zero.

Household Income	Refund Percentage	Maximum State Refund
0 to $5,399	90 percent	$2,500
5,400 to 18,899	85 percent	2,500
18,900 to 26,999	80 percent	2,500
27,000 to 32,399	75 percent	2,500
32,400 to 37,799	70 percent	2,500
37,800 to 45,899	65 percent	2,500
45,900 to 64,699	60 percent	2,500
64,700 to 80,899	55 percent	2,300
80,900 to 94,399	50 percent	2,100
94,400 to 99,299	45 percent	1,900
99,300 to 104,099	40 percent	1,700
104,100 to 115,599	30 percent	1,500
115,600 to 127,199	30 percent	1,250
127,200 to 134,099	25 percent	1,000
134,100 to 138,799	25 percent	750
138,800 to 144,399	25 percent	500
144,400 to 150,000	25 percent	250

(b) No payment is allowed under paragraph (a) if the claimant's household income is more than $150,000.

EFFECTIVE DATE. This section is effective beginning for claims based on property taxes payable in 2008.

Sec. 7. Minnesota Statutes 2006, section 290A.04, subdivision 3, is amended to read:

Subd. 3. **Table.** The commissioner of revenue shall construct and make available to taxpayers a comprehensive table showing the ~~property taxes to be paid and~~ refund allowed at various levels of income ~~and assessment~~. The table shall follow the schedule of income percentages, maximums and other provisions specified in ~~subdivision 2~~ this section, except that the commissioner may graduate the transition between income brackets. All refunds shall be computed in accordance with tables prepared and issued by the commissioner of revenue.

The commissioner shall include on the form an appropriate space or method for the claimant to identify if the property taxes paid are for a manufactured home, as defined in section 273.125, subdivision 8, paragraph (c), or a park trailer taxed as a manufactured home under section 168.012, subdivision 9.

Sec. 8. Minnesota Statutes 2006, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** Beginning for property tax refunds payable in calendar year ~~2002~~ 2009, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions ~~2 and~~ 2a and 2k for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2007, to the year ending on June 30 of the year preceding that in which the refund is payable. The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions ~~2 and~~ 2a and 2k for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest $10 amount. If the amount ends in $5, the commissioner shall round it up to the next $10 amount.

The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective beginning for claims based on property taxes payable in 2009.

Sec. 9. **HOMESTEAD CREDIT STATE REFUND TRANSITION RESERVE.**

Subdivision 1. **Reserve account.** A homestead credit state refund transition reserve account is established in the general fund to provide two additional years of transition funding for the homestead credit state refund.

Subd. 2. **Transfer to account.** On June 29, 2009, the commissioner of finance shall transfer $129,000,000 from the general fund to the homestead credit state refund transition reserve account.

Subd. 3. **Transfer to general fund.** On July 1, 2009, the commissioner of finance shall transfer the balance in the homestead credit state refund transition reserve account to the general fund.

Subd. 4. **Expiration date.** This section expires July 2, 2009.

Sec. 10. **REPEALER.**

Minnesota Statutes 2006, section 290A.04, subdivisions 2 and 2b, are repealed.

EFFECTIVE DATE. This section is effective for claims based on property taxes payable in 2008 and later.

ARTICLE 2
EDUCATION PROPERTY TAX RELIEF

Section 1. Minnesota Statutes 2006, section 123B.53, subdivision 4, is amended to read:

Subd. 4. **Debt service equalization revenue.** ~~(a)~~ The debt service equalization revenue of a district equals the ~~sum of the first tier debt service equalization revenue and the second tier debt service equalization revenue.~~

~~(b) The first tier debt service equalization revenue of a district equals the~~ greater of zero or the eligible debt service revenue minus the amount raised by a levy of 15 percent times the adjusted debt service net tax capacity of the district ~~minus the second tier debt service equalization revenue of the district~~.

~~(c) The second tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue, excluding alternative facilities levies under section 123B.59, subdivision 5, minus the amount raised by a levy of 25 percent times the adjusted net tax capacity of the district.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2009.

Sec. 2. Minnesota Statutes 2006, section 123B.53, subdivision 5, is amended to read:

Subd. 5. **Equalized debt service levy.** ~~(a) The equalized debt service levy of a district equals the sum of the first tier equalized debt service levy and the second tier equalized debt service levy.~~

~~(b)~~ A district's ~~first tier~~ equalized debt service levy equals the district's ~~first tier~~ debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted debt service net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~$3,200~~ 100 percent of the statewide adjusted net tax capacity equalizing factor.

~~(c) A district's second tier equalized debt service levy equals the district's second tier debt service equalization revenue times the lesser of one or the ratio of:~~

~~(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to~~

~~(2) $8,000.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2009.

Sec. 3. Minnesota Statutes 2006, section 123B.54, is amended to read:

123B.54 DEBT SERVICE AND SCHOOL BOND AGRICULTURAL CREDIT APPROPRIATION.

(a) ~~$21,624,000~~ $14,813,000 in fiscal year 2008 ~~and $20,403,000~~, $26,100,000 in fiscal year 2009, $29,816,000 in fiscal year 2010, and $30,538,000 in fiscal year 2011 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

(b) $16,200,000 in fiscal year 2009, $18,531,000 in fiscal year 2010, and $19,242,000 in fiscal year 2011 and each year thereafter are appropriated from the general fund to the commissioner of education for payment of school bond agricultural credit aid under section 123B.555.

~~(b)~~ (c) The appropriations in ~~paragraph~~ paragraphs (a) and (b) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2009.

Sec. 4. **[123B.555] SCHOOL BOND AGRICULTURAL CREDIT.**

Subdivision 1. **Eligibility.** All class 2 property under section 273.13, subdivision 23, except for (1) property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, and (2) property classified under section 273.13, subdivision 23, paragraph (b), clause (4), is eligible to receive the credit under this section.

Subd. 2. **Credit amount.** For each qualifying property, the school bond agricultural credit is equal to 36 percent of the property's eligible net tax capacity multiplied by the school debt tax rate determined under section 275.08, subdivision 1b.

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

Subd. 4. **Payment.** The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of education, who shall pay the reimbursement amounts to each school district as provided in section 273.1392.

EFFECTIVE DATE. This section is effective for taxes payable in 2008.

Sec. 5. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision to read:

Subd. 2a. **Statewide adjusted net tax capacity equalizing factor.** The statewide adjusted net tax capacity equalizing factor equals the quotient derived by dividing the total adjusted net tax capacity of all school districts in the state for the year before the year the levy is certified by the total number of adjusted pupil units in the state for the fiscal year preceding the year the levy is certified.

EFFECTIVE DATE. This section is effective for taxes payable in 2008.

Sec. 6. Minnesota Statutes 2006, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2007 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals ~~$22,222 for fiscal year 2006, and~~ $10,700 for fiscal ~~year~~ years 2007 and ~~later~~ 2008, and $21,250 for fiscal year 2009 and later.

Sec. 7. Minnesota Statutes 2006, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~ A district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to ~~$476,000~~ 111 percent of the referendum market value equalizing factor.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to ~~$270,000~~ 60 percent of the referendum market value equalizing factor.

EFFECTIVE DATE. This section is effective for taxes payable in 2008.

Sec. 8. Minnesota Statutes 2006, section 127A.48, is amended by adding a subdivision to read:

Subd. 17. **Adjusted debt service net tax capacity.** To calculate each district's adjusted debt service net tax capacity, the commissioner of revenue must recompute the amounts in this section using an alternative sales ratio comparing the sales price to the estimated market value of the property.

EFFECTIVE DATE. This section is effective the day following final enactment for computing taxes payable in 2008.

Sec. 9. Minnesota Statutes 2006, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. **Limited market value.** In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal residential recreational, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

For assessment years 2004, 2005, and 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2007, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2008, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect through assessment year 2008 as provided in this subdivision.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, excluding section 123B.53, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

EFFECTIVE DATE. This section is effective the day following final enactment for computing taxes payable in 2008.

Sec. 10. Minnesota Statutes 2006, section 273.1393, is amended to read:

273.1393 COMPUTATION OF NET PROPERTY TAXES.

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

(1) disaster credit as provided in section 273.123;

(2) powerline credit as provided in section 273.42;

(3) agricultural preserves credit as provided in section 473H.10;

(4) enterprise zone credit as provided in section 469.171;

(5) disparity reduction credit;

(6) conservation tax credit as provided in section 273.119;

(7) homestead and agricultural credits as provided in section 273.1384;

(8) school bond agricultural credit as provided in section 123B.555;

~~(8)~~ (9) taconite homestead credit as provided in section 273.135; and

~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391.

The combination of all property tax credits must not exceed the gross tax amount.

EFFECTIVE DATE. This section is effective for taxes payable in 2008.

Sec. 11. Minnesota Statutes 2006, section 275.065, subdivision 3, is amended to read:

Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384 <u>and the school bond agricultural credit under section 123B.555</u>, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year; and

(ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis Library Board and the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) The governing body of a county, city, or school district may, with the consent of the county board, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

(1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;

(2) population growth and decline;

(3) state or federal government action; and

(4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

EFFECTIVE DATE. This section is effective for taxes payable in 2008.

Sec. 12. Minnesota Statutes 2006, section 275.07, subdivision 2, is amended to read:

Subd. 2. **School district ~~in more than one county~~ levies; special requirements.** (a) In school districts lying in more than one county, the clerk shall certify the tax levied to the auditor of the county in which the administrative offices of the school district are located.

(b) The clerk shall identify the portion of the school district levy that is levied for the purposes specified in section 123B.53, subdivision 5, as the school debt levy at the time that the levy is certified under this section.

EFFECTIVE DATE. This section is effective for taxes payable in 2008.

Sec. 13. Minnesota Statutes 2006, section 275.08, subdivision 1b, is amended to read:

Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against net tax capacity under section 275.07 by an individual local government unit shall be divided by the total net tax capacity of all taxable properties within the local government unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate, multiplied by each property's net tax capacity shall be each property's net tax capacity tax for that local government unit before reduction by any credits.

(b) The auditor shall also determine the school debt tax rate for each school district equal to the school debt levy certified under section 275.07 divided by the total net tax capacity of all taxable property within the district.

(c) Any amount certified to the county auditor to be levied against market value shall be divided by the total referendum market value of all taxable properties within the taxing district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by each property's referendum market value shall be each property's new referendum tax before reduction by any credits. For the purposes of this subdivision, "referendum market value" means the market value as defined in section 126C.01, subdivision 3.

EFFECTIVE DATE. This section is effective for taxes payable in 2008.

ARTICLE 3
INCOME TAX

Section 1. Minnesota Statutes 2006, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

(1) On the first ~~$25,680~~ <u>$31,150</u>, 5.35 percent;

(2) On all over ~~$25,680~~ <u>$31,150</u>, but not over ~~$102,030~~ <u>$123,750</u>, 7.05 percent;

(3) On all over ~~$102,030~~ <u>$123,750, but not over $400,000</u>, 7.85 percent<u>;</u>

<u>(4) On all over $400,000, 9 percent</u>.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

(1) On the first ~~$17,570~~ <u>$21,310</u>, 5.35 percent;

(2) On all over ~~$17,570~~ <u>$21,310</u>, but not over ~~$57,710~~ <u>$69,990</u>, 7.05 percent;

(3) On all over ~~$57,710~~ <u>$69,990, but not over $226,230</u>, 7.85 percent<u>;</u>

<u>(4) On all over $226,230, 9 percent</u>.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

(1) On the first ~~$21,630~~ <u>$26,230</u>, 5.35 percent;

(2) On all over ~~$21,630~~ <u>$26,230</u>, but not over ~~$86,910~~ <u>$105,410</u>, 7.05 percent;

(3) On all over ~~$86,910~~ <u>$105,410, but not over $340,720</u>, 7.85 percent<u>;</u>

<u>(4) On all over $340,720, 9 percent</u>.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than $100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to $1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), and (9), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (9), (10), (14), (15), and (16), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), and (9), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9), (10), (14), (15), and (16).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, ~~2000~~ 2007, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2006, and before January 1, ~~2001~~ 2008. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest $10 amount. If the rate bracket ends in $5, it must be rounded up to the nearest $10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word ~~"1999"~~ "2006" shall be substituted for the word "1992." For ~~2001~~ 2008, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2006, to the 12 months ending on August 31, ~~2000~~ 2007, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2006, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

APPENDIX
Article locations in H2294-1

290A.04 REFUND ALLOWABLE.

Subd. 2. **Homeowners.** A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
$0 to 1,189	1.0 percent	15 percent	$1,450
1,190 to 2,379	1.1 percent	15 percent	$1,450
2,380 to 3,589	1.2 percent	15 percent	$1,410
3,590 to 4,789	1.3 percent	20 percent	$1,410
4,790 to 5,979	1.4 percent	20 percent	$1,360
5,980 to 8,369	1.5 percent	20 percent	$1,360
8,370 to 9,559	1.6 percent	25 percent	$1,310
9,560 to 10,759	1.7 percent	25 percent	$1,310
10,760 to 11,949	1.8 percent	25 percent	$1,260
11,950 to 13,139	1.9 percent	30 percent	$1,260
13,140 to 14,349	2.0 percent	30 percent	$1,210
14,350 to 16,739	2.1 percent	30 percent	$1,210
16,740 to 17,929	2.2 percent	35 percent	$1,160
17,930 to 19,119	2.3 percent	35 percent	$1,160
19,120 to 20,319	2.4 percent	35 percent	$1,110
20,320 to 25,099	2.5 percent	40 percent	$1,110
25,100 to 28,679	2.6 percent	40 percent	$1,070
28,680 to 35,849	2.7 percent	40 percent	$1,070
35,850 to 41,819	2.8 percent	45 percent	$ 970
41,820 to 47,799	3.0 percent	45 percent	$ 970
47,800 to 53,779	3.2 percent	45 percent	$ 870
53,780 to 59,749	3.5 percent	50 percent	$ 780
59,750 to 65,729	4.0 percent	50 percent	$ 680
65,730 to 69,319	4.0 percent	50 percent	$ 580
69,320 to 71,719	4.0 percent	50 percent	$ 480
71,720 to 74,619	4.0 percent	50 percent	$ 390
74,620 to 77,519	4.0 percent	50 percent	$ 290

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is $77,520 or more.

Subd. 2b. **Tables may be reconstructed.** The commissioner may reconstruct the tables in subdivision 2 for homeowners to reflect the elimination of the homestead credit beginning for claims based on taxes payable in 1990.