

A bill for an act

relating to taxation; providing property tax relief; providing for school aids and levies; providing aids to local governments; providing for property tax exemptions, credits, refunds, and deferrals; changing property tax provisions relating to sales ratios, homesteads, valuation, classification, class rates, truth in taxation, payment, collection, appeals, and abatement; providing for special assessments deferral and payments in lieu of taxes; limiting authority to impose local sales taxes; authorizing certain local taxes; providing for studies; appropriating money; amending Minnesota Statutes 2006, sections 97A.061, subdivision 2; 123B.53, subdivisions 4, 5; 126C.01, by adding subdivisions; 126C.10, subdivision 13a; 126C.17, subdivision 6; 127A.48, subdivision 3, by adding a subdivision; 272.02, by adding subdivisions; 272.115, subdivision 1; 273.11, subdivision 1a, by adding a subdivision; 273.111, by adding a subdivision; 273.124, subdivisions 1, 14; 273.128, subdivision 1, by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 33, by adding a subdivision; 273.1384, subdivision 1; 273.1393; 275.065, subdivision 3, by adding subdivisions; 275.07, subdivision 2; 275.08, subdivision 1b; 276.04, subdivision 2; 278.05, subdivision 6; 279.01, by adding a subdivision; 279.37, subdivision 1a; 289A.08, subdivision 13; 289A.40, subdivision 4; 290A.03, subdivision 13; 290A.04, subdivisions 2a, 2h, 4, by adding a subdivision; 290B.03, subdivisions 1, 2; 290B.04, subdivisions 3, 4; 290B.05, subdivision 1; 290B.07; 297A.99, subdivision 1; 298.75, by adding a subdivision; 435.193; 469.1813, subdivision 1a; 473F.01, subdivision 2; 473F.08, subdivisions 5, 7a; 477A.011, subdivisions 34, 36; 477A.0124, subdivision 5; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 2005, First Special Session chapter 3, article 5, section 39; proposing coding for new law in Minnesota Statutes, chapter 123B; proposing coding for new law as Minnesota Statutes, chapter 290D; repealing Minnesota Statutes 2006, sections 290A.04, subdivision 2; 473F.08, subdivision 3a.

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:

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

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

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

- 3.35 (1) the property's estimated market value under section 273.11, subdivision 1;
4.1 (2) the property's taxable market value after reductions under section 273.11,
4.2 subdivisions 1a and 16;

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~~(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.

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6.3			Percent Paid by	Maximum State
6.4	Household Income	Percent of Income	Claimant	Refund
6.5	\$0 to 3,589	1.0 percent	5 percent	\$1,190
6.6	<u>\$0 to 4,579</u>			<u>\$1,500</u>
6.7	3,590 to 4,779	1.0 percent	10 percent	\$1,190
6.8	<u>4,580 to 6,099</u>			<u>\$1,500</u>
6.9	4,780 to 5,969	1.1 percent	10 percent	\$1,190
6.10	<u>6,100 to 7,619</u>			<u>\$1,500</u>
6.11	5,970 to 8,369	1.2 percent	10 percent	\$1,190
6.12	<u>7,620 to 10,669</u>			<u>\$1,500</u>
6.13	8,370 to 10,759	1.3 percent	15 percent	\$1,190
6.14	<u>10,670 to 13,729</u>			<u>\$1,500</u>
6.15	10,760 to 11,949	1.4 percent	15 percent	\$1,190
6.16	<u>13,730 to 15,239</u>			<u>\$1,500</u>
6.17	11,950 to 13,139	1.4 percent	20 percent	\$1,190
6.18	<u>15,240 to 16,769</u>			<u>\$1,500</u>
6.19	13,140 to 15,539	1.5 percent	20 percent	\$1,190
6.20	<u>16,770 to 19,829</u>			<u>\$1,500</u>
6.21	15,540 to 16,729	1.6 percent	20 percent	\$1,190
6.22	<u>19,830 to 21,349</u>			<u>\$1,500</u>
6.23	16,730 to 17,919	1.7 percent	25 percent	\$1,190
6.24	<u>21,350 to 22,859</u>			<u>\$1,500</u>
6.25	17,920 to 20,319	1.8 percent	25 percent	\$1,190
6.26	<u>22,860 to 25,929</u>			<u>\$1,500</u>
6.27	20,320 to 21,509	1.9 percent	30 percent	\$1,190
6.28	<u>25,930 to 27,439</u>			<u>\$1,500</u>
6.29	21,510 to 22,699	2.0 percent	30 percent	\$1,190
6.30	<u>27,440 to 28,959</u>			<u>\$1,500</u>
6.31	22,700 to 23,899	2.2 percent	30 percent	\$1,190
6.32	<u>28,960 to 30,499</u>			<u>\$1,500</u>
6.33	23,900 to 25,089	2.4 percent	30 percent	\$1,190
6.34	<u>30,500 to 32,009</u>			<u>\$1,500</u>
6.35	25,090 to 26,289	2.6 percent	35 percent	\$1,190
6.36	<u>32,010 to 33,539</u>			<u>\$1,500</u>
6.37	26,290 to 27,489	2.7 percent	35 percent	\$1,190
6.38	<u>33,540 to 35,079</u>			<u>\$1,500</u>
6.39	27,490 to 28,679	2.8 percent	35 percent	\$1,190
6.40	<u>35,080 to 36,589</u>			<u>\$1,500</u>
6.41	28,680 to 29,869	2.9 percent	40 percent	\$1,190
6.42	<u>36,590 to 38,109</u>			<u>\$1,500</u>
6.43	29,870 to 31,079	3.0 percent	40 percent	\$1,190
7.1	<u>38,110 to 39,649</u>			<u>\$1,500</u>
7.2	31,080 to 32,269	3.1 percent	40 percent	\$1,190
7.3	<u>39,650 to 41,169</u>			<u>\$1,500</u>

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7.4	32,270 to 33,459	3.2 percent	40 percent	\$1,190
7.5	<u>41,170 to 42,689</u>			<u>\$1,500</u>
7.6	33,460 to 34,649	3.3 percent	45 percent	\$1,080
7.7	<u>42,690 to 49,729</u>			<u>\$1,370</u>
7.8	34,650 to 35,849	3.4 percent	45 percent	\$960
7.9	<u>49,730 to 51,459</u>			<u>\$1,220</u>
7.10	35,850 to 37,049	3.5 percent	45 percent	\$830
7.11	<u>51,460 to 53,189</u>			<u>\$1,050</u>
7.12	37,050 to 38,239	3.5 percent	50 percent	\$720
7.13	<u>53,190 to 54,899</u>			<u>\$910</u>
7.14	38,240 to 39,439	3.5 percent	50 percent	\$600
7.15	<u>54,900 to 56,609</u>			<u>\$760</u>
7.16	38,440 to 40,629	3.5 percent	50 percent	\$360
7.17	<u>56,610 to 58,319</u>			<u>\$450</u>
7.18	40,630 to 41,819	3.5 percent	50 percent	\$120
7.19	<u>58,320 to 60,000</u>			<u>\$150</u>

7.20 (b) The payment made to a claimant is the amount of the state refund calculated
7.21 under this subdivision. No payment is allowed if the claimant's household income is
7.22 ~~\$41,820~~ \$60,000 or more.

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

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

7.26 Subd. 2h. **Additional refund.** (a) If the gross property taxes payable on a
7.27 homestead increase more than 12 percent over the property taxes payable in the prior year
7.28 on the same property that is owned and occupied by the same owner on January 2 of both
7.29 years, and the amount of that increase is \$100 or more, a claimant who is a homeowner
7.30 shall be allowed an additional refund equal to 60 percent of the amount of the increase
7.31 over the greater of 12 percent of the prior year's property taxes payable or \$100. This
7.32 subdivision shall not apply to any increase in the gross property taxes payable attributable
7.33 to improvements made to the homestead after the assessment date for the prior year's
7.34 taxes. This subdivision shall not apply to any increase in the gross property taxes payable
7.35 attributable to the termination of valuation exclusions under section 273.11, subdivision
7.36 16, or to the reduction in and elimination of the homestead market value credit under
7.37 section 273.1384, subdivision 1, paragraph (b).

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

8.2 (b) For purposes of this subdivision "gross property taxes payable" means property
8.3 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 refund claims based on property taxes payable in 2008.

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.

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

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9.4	<u>138,800 to 144,399</u>	<u>25 percent</u>	<u>500</u>
9.5	<u>144,400 to 150,000</u>	<u>25 percent</u>	<u>250</u>

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

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

9.10 Sec. 7. Minnesota Statutes 2006, section 290A.04, subdivision 4, is amended to read:

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

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

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

9.29 Sec. 8. **REPEALER.**

9.30 Minnesota Statutes 2006, section 290A.04, subdivision 2, is repealed.

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

ARTICLE 2

SCHOOL 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. [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) landing areas or public access areas of privately owned public use airports, 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 20 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.

Subd. 5. Appropriation. An amount sufficient to make the payments required by this section is annually appropriated from the general fund to the commissioner of education.

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

Sec. 4. 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 debt service 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 cost 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.

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

12.3 Subd. 3a. **Referendum market value equalizing factor.** The referendum market
12.4 value equalizing factor equals the quotient derived by dividing the total referendum market
12.5 value of all school districts in the state for the year before the year the levy is certified by
12.6 the total number of resident marginal cost pupil units in the state for the current school year.

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

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

12.9 Subd. 13a. **Operating capital levy.** To obtain operating capital revenue ~~for fiscal~~
12.10 ~~year 2007 and later~~, a district may levy an amount not more than the product of its
12.11 operating capital revenue for the fiscal year times the lesser of one or the ratio of its
12.12 adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital
12.13 equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year
12.14 2006, and \$10,700 for fiscal year 2007 and 2008, and \$25,000 for fiscal year 2009 and later.

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

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

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

12.20 (b) A district's first tier referendum equalization levy equals the district's first tier
12.21 referendum equalization revenue times the lesser of one or the ratio of the district's
12.22 referendum market value per resident marginal cost pupil unit to ~~\$476,000~~ 120 percent of
12.23 the referendum market value equalizing factor.

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

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

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

12.31 Subd. 17. **Adjusted debt service net tax capacity.** To calculate each district's
12.32 adjusted debt service net tax capacity, the commissioner of revenue must recompute each

13.1 district's adjusted net tax capacity using an alternative sales ratio comparing the sales price
13.2 to the estimated market value of the property.

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

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

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

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

13.13 For assessment year 2007, the amount of the increase shall not exceed the greater of
13.14 (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference
13.15 between the current assessment and the preceding assessment.

13.16 For assessment year 2008, the amount of the increase shall not exceed the greater of
13.17 (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference
13.18 between the current assessment and the preceding assessment.

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

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

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

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

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

13.31 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

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

- 14.1 (1) disaster credit as provided in section 273.123;
- 14.2 (2) powerline credit as provided in section 273.42;
- 14.3 (3) agricultural preserves credit as provided in section 473H.10;
- 14.4 (4) enterprise zone credit as provided in section 469.171;
- 14.5 (5) disparity reduction credit;
- 14.6 (6) conservation tax credit as provided in section 273.119;
- 14.7 (7) homestead and agricultural credits as provided in section 273.1384;
- 14.8 (8) school bond agricultural credit as provided in section 123B.555;
- 14.9 ~~(8)~~ (9) taconite homestead credit as provided in section 273.135; and
- 14.10 ~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391.
- 14.11 The combination of all property tax credits must not exceed the gross tax amount.

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

14.13 thereafter.

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

14.15 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare

14.16 and the county treasurer shall deliver after November 10 and on or before November 24

14.17 each year, by first class mail to each taxpayer at the address listed on the county's current

14.18 year's assessment roll, a notice of proposed property taxes.

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

14.20 (c) The notice must inform taxpayers that it contains the amount of property taxes

14.21 each taxing authority proposes to collect for taxes payable the following year. In the case

14.22 of a town, or in the case of the state general tax, the final tax amount will be its proposed

14.23 tax. In the case of taxing authorities required to hold a public meeting under subdivision 6,

14.24 the notice must clearly state that each taxing authority, including regional library districts

14.25 established under section 134.201, and including the metropolitan taxing districts as

14.26 defined in paragraph (i), but excluding all other special taxing districts and towns, will

14.27 hold a public meeting to receive public testimony on the proposed budget and proposed or

14.28 final property tax levy, or, in case of a school district, on the current budget and proposed

14.29 property tax levy. It must clearly state the time and place of each taxing authority's

14.30 meeting, a telephone number for the taxing authority that taxpayers may call if they have

14.31 questions related to the notice, and an address where comments will be received by mail.

14.32 (d) The notice must state for each parcel:

14.33 (1) the market value of the property as determined under section 273.11, and used

14.34 for computing property taxes payable in the following year and for taxes payable in the

14.35 current year as each appears in the records of the county assessor on November 1 of the

15.1 current year; and, in the case of residential property, whether the property is classified as
15.2 homestead or nonhomestead. The notice must clearly inform taxpayers of the years to
15.3 which the market values apply and that the values are final values;

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

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

15.10 (ii) the proposed tax amount.

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

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

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

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

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

16.1 (1) special assessments;

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

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

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

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

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

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

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

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

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

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

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

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

16.32 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325,
16.33 473.446, 473.521, 473.547, or 473.834;

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

16.36 (3) Metropolitan Mosquito Control Commission under section 473.711.

17.1 For purposes of this section, any levies made by the regional rail authorities in the
17.2 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
17.3 398A shall be included with the appropriate county's levy and shall be discussed at that
17.4 county's public hearing.

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

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

17.14 (2) population growth and decline;

17.15 (3) state or federal government action; and

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

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

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

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

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

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

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

17.33 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 and thereafter.

Sec. 14. 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);

(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~~ sections 273.1384 and 123B.555;

(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) 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.

ARTICLE 3

AIDS TO LOCAL GOVERNMENTS

Section 1. Minnesota Statutes 2006, section 477A.011, subdivision 34, is amended to read:

Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than 2,500, "city revenue need" is the sum of (1) 5.0734098 times the pre-1940 housing percentage; plus (2) 19.141678 times the population decline percentage; plus (3) 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) ~~2.387 times the pre-1940 housing percentage~~ 300; plus (2) ~~2.67591 times the commercial industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4) 1.206 times the transformed population; minus (5) 62.772.~~ 0.31 multiplied by the difference between the city's population and 100. The city revenue need for a city with a population less than 2,500 may not exceed 500.

(c) For a city with a population of 2,500 or more and a population in one of the most recently available five years that was less than 2,500, "city revenue need" is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its transition factor; plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied by the difference between one and its transition factor. For purposes of this paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. This provision only applies for aids payable

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21.1 in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It
21.2 applies to any city for aids payable in 2009 and thereafter.

21.3 (d) The city revenue need cannot be less than zero.

21.4 (e) For calendar year ~~2005~~ 2008 and subsequent years, the city revenue need for
21.5 a city, as determined in paragraphs (a) to (d), is multiplied by the ratio of the annual
21.6 implicit price deflator for government consumption expenditures and gross investment for
21.7 state and local governments as prepared by the United States Department of Commerce,
21.8 for the most recently available year to the ~~2003~~ 2000 implicit price deflator for state
21.9 and local government purchases.

21.10 **EFFECTIVE DATE.** This section is effective for aids payable in 2008.

21.11 Sec. 2. Minnesota Statutes 2006, section 477A.011, subdivision 36, is amended to read:

21.12 Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision,
21.13 "city aid base" is zero.

21.14 (b) The city aid base for any city with a population less than 500 is increased by
21.15 \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount
21.16 of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also
21.17 increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

21.18 (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

21.19 (ii) the city portion of the tax capacity rate exceeds 100 percent; and

21.20 (iii) its city aid base is less than \$60 per capita.

21.21 (c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and
21.22 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
21.23 paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

21.24 (i) the city has a population in 1994 of 2,500 or more;

21.25 (ii) the city is located in a county, outside of the metropolitan area, which contains a
21.26 city of the first class;

21.27 (iii) the city's net tax capacity used in calculating its 1996 aid under section
21.28 477A.013 is less than \$400 per capita; and

21.29 (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of
21.30 property located in the city is classified as railroad property.

21.31 (d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and
21.32 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
21.33 paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

21.34 (i) the city was incorporated as a statutory city after December 1, 1993;

21.35 (ii) its city aid base does not exceed \$5,600; and

22.1 (iii) the city had a population in 1996 of 5,000 or more.

22.2 (e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the
22.3 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
22.4 paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

22.5 (i) the city had a population in 1996 of at least 50,000;

22.6 (ii) its population had increased by at least 40 percent in the ten-year period ending
22.7 in 1996; and

22.8 (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

22.9 (f) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and
22.10 thereafter, and the maximum amount of total aid it may receive under section 477A.013,
22.11 subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only,
22.12 provided that:

22.13 (1) the city has a population that is greater than 1,000 and less than 2,500;

22.14 (2) its commercial and industrial percentage for aids payable in 1999 is greater
22.15 than 45 percent; and

22.16 (3) the total market value of all commercial and industrial property in the city
22.17 for assessment year 1999 is at least 15 percent less than the total market value of all
22.18 commercial and industrial property in the city for assessment year 1998.

22.19 (g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and
22.20 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
22.21 paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

22.22 (1) the city had a population in 1997 of 2,500 or more;

22.23 (2) the net tax capacity of the city used in calculating its 1999 aid under section
22.24 477A.013 is less than \$650 per capita;

22.25 (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under
22.26 section 477A.013 is greater than 12 percent;

22.27 (4) the 1999 local government aid of the city under section 477A.013 is less than
22.28 20 percent of the amount that the formula aid of the city would have been if the need
22.29 increase percentage was 100 percent; and

22.30 (5) the city aid base of the city used in calculating aid under section 477A.013
22.31 is less than \$7 per capita.

22.32 (h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and
22.33 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
22.34 paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

22.35 (1) the city has a population in 1997 of 2,000 or more;

23.1 (2) the net tax capacity of the city used in calculating its 1999 aid under section
23.2 477A.013 is less than \$455 per capita;

23.3 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is
23.4 greater than \$195 per capita; and

23.5 (4) the 1999 local government aid of the city under section 477A.013 is less than
23.6 38 percent of the amount that the formula aid of the city would have been if the need
23.7 increase percentage was 100 percent.

23.8 (i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and
23.9 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
23.10 paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

23.11 (1) the city has a population in 1998 that is greater than 200 but less than 500;

23.12 (2) the city's revenue need used in calculating aids payable in 2000 was greater
23.13 than \$200 per capita;

23.14 (3) the city net tax capacity for the city used in calculating aids available in 2000
23.15 was equal to or less than \$200 per capita;

23.16 (4) the city aid base of the city used in calculating aid under section 477A.013
23.17 is less than \$65 per capita; and

23.18 (5) the city's formula aid for aids payable in 2000 was greater than zero.

23.19 (j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and
23.20 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
23.21 paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

23.22 (1) the city had a population in 1998 that is greater than 200 but less than 500;

23.23 (2) the city's commercial industrial percentage used in calculating aids payable in
23.24 2000 was less than ten percent;

23.25 (3) more than 25 percent of the city's population was 60 years old or older according
23.26 to the 1990 census;

23.27 (4) the city aid base of the city used in calculating aid under section 477A.013
23.28 is less than \$15 per capita; and

23.29 (5) the city's formula aid for aids payable in 2000 was greater than zero.

23.30 (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and
23.31 by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of
23.32 total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also
23.33 increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002
23.34 only, provided that:

23.35 (1) the net tax capacity of the city used in calculating its 2000 aid under section
23.36 477A.013 is less than \$810 per capita;

- 24.1 (2) the population of the city declined more than two percent between 1988 and 1998;
- 24.2 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is
- 24.3 greater than \$240 per capita; and
- 24.4 (4) the city received less than \$36 per capita in aid under section 477A.013,
- 24.5 subdivision 9, for aids payable in 2000.
- 24.6 (l) The city aid base for a city with a population of 10,000 or more which is located
- 24.7 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the
- 24.8 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
- 24.9 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to
- 24.10 the lesser of:
- 24.11 (1)(i) the total population of the city, as determined by the United States Bureau of
- 24.12 the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or
- 24.13 (2) \$2,500,000.
- 24.14 (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the
- 24.15 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
- 24.16 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:
- 24.17 (1) the city is located in the seven-county metropolitan area;
- 24.18 (2) its population in 2000 is between 10,000 and 20,000; and
- 24.19 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,
- 24.20 was greater than 25 percent.
- 24.21 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to
- 24.22 2011 and by an additional \$75,000 in calendar years 2008 to 2013 and the maximum
- 24.23 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is
- 24.24 also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year
- 24.25 2008 only, provided that:
- 24.26 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
- 24.27 (2) its home county is located within the seven-county metropolitan area;
- 24.28 (3) its pre-1940 housing percentage is less than 15 percent; and
- 24.29 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900
- 24.30 per capita.
- 24.31 (o) The city aid base for a city is increased by \$200,000 beginning in calendar
- 24.32 year 2003 and the maximum amount of total aid it may receive under section 477A.013,
- 24.33 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,
- 24.34 provided that the city qualified for an increase in homestead and agricultural credit aid
- 24.35 under Laws 1995, chapter 264, article 8, section 18.

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(p) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(r) The city aid base for a city is increased by ~~\$25,000~~ \$30,000 in ~~2006~~ 2008 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by ~~\$25,000~~ \$30,000 in calendar year ~~2006~~ 2008 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

(s) The city aid base for a city with a population less than 5,000 is increased in 2006 and thereafter and the minimum and maximum amount of total aid it may receive under this section is also increased in calendar year 2006 only by an amount equal to \$6 multiplied by its population.

(t) The city aid base for a city is increased by \$80,000 in 2007 only and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year 2007 only, if:

(1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;

(2) the placement of the land is being challenged administratively or in court; and

(3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.

(u) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:

(1) the city has a 2004 estimated population greater than 200 but less than 2,000;

(2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

(3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

(4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

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26.1 (v) The city aid base for a city is increased by \$140,000 in 2008 and thereafter, and
26.2 the maximum total aid it may receive under section 477A.013, subdivision 9, is also
26.3 increased by \$140,000 in calendar year 2008 only if the city had a population in 2005 of
26.4 less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation
26.5 of two cities and one township in 2002.

26.6 (w) The city aid base for a city is increased by \$100,000 in 2008 and thereafter, and
26.7 the maximum total aid it may receive under section 477A.013, subdivision 9, is also
26.8 increased by \$100,000 in calendar year 2008 only if the city had a city net tax capacity for
26.9 aids payable in 2007 of less than \$150 per capita and the city experienced flooding on
26.10 March 14, 2007, that resulted in evacuation of at least 40 homes.

26.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
26.12 June 30, 2007.

26.13 Sec. 3. Minnesota Statutes 2006, section 477A.0124, subdivision 5, is amended to read:

26.14 Subd. 5. **County transition aid.** (a) For 2005, a county is eligible for transition
26.15 aid equal to the amount, if any, by which:

26.16 (1) the difference between:

26.17 (i) the aid the county received under subdivision 1 in 2004, divided by the total aid
26.18 paid to all counties under subdivision 1, multiplied by \$205,000,000; and

26.19 (ii) the amount of aid the county is certified to receive in 2005 under subdivisions
26.20 3 and 4;

26.21 exceeds:

26.22 (2) three percent of the county's adjusted net tax capacity.

26.23 A county's aid under this paragraph may not be less than zero.

26.24 (b) In 2006, a county is eligible to receive two-thirds of the transition aid it received
26.25 in 2005.

26.26 (c) In 2007 and thereafter, a county is eligible to receive one-third of the transition
26.27 aid it received in 2005.

26.28 ~~(d) No county shall receive aid under this subdivision after 2007.~~

26.29 **EFFECTIVE DATE.** This section is effective for aids payable in 2008 and
26.30 thereafter.

26.31 Sec. 4. Minnesota Statutes 2006, section 477A.013, subdivision 8, is amended to read:

26.32 Subd. 8. **City formula aid.** In calendar year 2004 and subsequent years, the
26.33 formula aid for a city is equal to the need increase percentage multiplied by the difference

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between (1) the city's revenue need multiplied by its population, and (2) ~~the sum of the~~
city's net tax capacity multiplied by the tax effort rate; ~~the taconite aids under sections~~
~~298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant,~~
~~multiplied by the following percentages:~~

- ~~(i) zero percent for aids payable in 2004;~~
- ~~(ii) 25 percent for aids payable in 2005;~~
- ~~(iii) 50 percent for aids payable in 2006;~~
- ~~(iv) 75 percent for aids payable in 2007; and~~
- ~~(v) 100 percent for aids payable in 2008 and thereafter.~~

For purposes of this subdivision, ~~"a city directly impacted by a taconite mine or~~
~~plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6)~~
~~Silver Bay, or (7) Virginia.~~

No city may have a formula aid amount less than zero. The need increase percentage
must be the same for all cities.

The applicable need increase percentage must be calculated by the Department of
Revenue so that the total of the aid under subdivision 9 equals the total amount available
for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions
4 and 5.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2008.

Sec. 5. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year ~~2002 and thereafter~~ 2008, each
city shall receive an aid distribution equal to the sum of (1) the city formula aid under
subdivision 8, ~~and~~ (2) its city aid base, and (3) one-half of the difference between its total
aid in the previous year under this section and its city aid base in the previous year. For aids
payable in 2009 and thereafter, each city shall receive an aid distribution equal to the sum
of (1) the city formula aid under subdivision 8, (2) its city aid base, and (3) its formula aid
under subdivision 8 in the previous year, prior to any adjustments under this subdivision.

(b) For aids payable in 2008, the total aid for any city shall not exceed the sum of (1)
25 percent of its net levy for the year prior to the aid distribution plus (2) its total aid in the
previous year. For aids payable in 2005 2009 and thereafter, the total aid for any city shall
not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid
distribution plus (2) its total aid in the previous year. For aids payable in ~~2005~~ 2008 and
thereafter, the total aid for any city with a population of 2,500 or more may not ~~decrease~~
~~from~~ be less than its total aid under this section in the previous year ~~by an amount greater~~

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~~than~~ minus the lesser of (1) \$15 multiplied by its population, or (2) ten percent of its net levy in the year prior to the aid distribution.

~~(c) For aids payable in 2004 only, the total aid for a city with a population less than 2,500 may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session chapter 21, article 5, or (2) five percent of its 2003 aid amount. For aids payable in 2008 only, the total aid for a city with a population less than 2,500 must not be less than the amount it would otherwise be certified to receive in 2008 if this act was not enacted. For aids payable in 2005~~ 2008 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus the lesser of (1) \$15 multiplied by its population, or (2) five percent of its 2003 certified aid amount.

(d) If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax-exempt Indian land, the city's maximum allowed aid increase under paragraph (b) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.

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

Sec. 6. Minnesota Statutes 2006, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. **Towns.** In 2008 and subsequent years, each town that levied a property tax in the previous year shall receive a distribution equal to \$3 multiplied by its population.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2008 and thereafter.

Sec. 7. Minnesota Statutes 2006, section 477A.03, is amended to read:

477A.03 APPROPRIATION.

Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

~~Subd. 2a. **Cities.** For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the~~

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29.1 ~~total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For~~
29.2 ~~aids payable in 2006 and thereafter~~ 2008, the total aids paid under section 477A.013,
29.3 subdivision 9, is limited to ~~\$485,052,000~~ \$545,052,000. For aids payable in 2009 and
29.4 thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts
29.5 certified to be paid in the previous year, adjusted for inflation as provided under
29.6 subdivision 5.

29.7 Subd. 2b. **Counties.** (a) For aids payable in calendar year ~~2005 and thereafter~~
29.8 2008, the total aids paid to counties under section 477A.0124, subdivision 3, are limited
29.9 to ~~\$100,500,000~~ \$108,000,000. For aids payable in 2008 and thereafter, the total aids
29.10 paid under section 477A.0124, subdivision 3, are the amounts certified to be paid in the
29.11 previous year, adjusted for inflation as provided under subdivision 5. Each calendar year,
29.12 \$500,000 shall be retained by the commissioner of revenue to make reimbursements
29.13 to the commissioner of finance for payments made under section 611.27. ~~For calendar~~
29.14 ~~year 2004, the amount shall be in addition to the payments authorized under section~~
29.15 ~~477A.0124, subdivision 1. For calendar year 2005 and subsequent years, The amount shall~~
29.16 be deducted from the appropriation under this paragraph. The reimbursements shall be to
29.17 defray the additional costs associated with court-ordered counsel under section 611.27.
29.18 Any retained amounts not used for reimbursement in a year shall be included in the next
29.19 distribution of county need aid that is certified to the county auditors for the purpose of
29.20 property tax reduction for the next taxes payable year.

29.21 (b) ~~For aids payable in 2005, the total aids under section 477A.0124, subdivision~~
29.22 ~~4, are limited to \$105,000,000. For aids payable in 2006 and thereafter~~ 2008, the total
29.23 aid under section 477A.0124, subdivision 4, is limited to ~~\$105,132,923~~ \$112,169,054.
29.24 For aids payable in 2008 and thereafter, the total aids paid under section 477A.0124,
29.25 subdivision 4, are the amounts certified to be paid in the previous year, adjusted for
29.26 inflation as provided under subdivision 5. The commissioner of finance shall bill the
29.27 commissioner of revenue for the cost of preparation of local impact notes as required by
29.28 section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner
29.29 of education shall bill the commissioner of revenue for the cost of preparation of local
29.30 impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal
29.31 year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed
29.32 under this paragraph from the appropriation under this paragraph. The amounts deducted
29.33 are appropriated to the commissioner of finance and the commissioner of education for the
29.34 preparation of local impact notes.

29.35 Subd. 5. Inflation adjustment. (a) In 2009 and thereafter, the amount paid under
29.36 subdivision 2a shall each be increased by an amount as provided in paragraphs (b) and (c).

(b) Unless the requirements of paragraph (c) are met, the increase shall be one percent above the amount certified to be paid under those subdivisions in the previous year.

(c) If the legislature adopts a new formula proposed by the study in section 11 that all city organizations representing at least 40 cities in the state support, the increase shall be equal to:

(1) the amount certified to be paid under that subdivision in the previous year, multiplied by

(2) one plus the percentage increase in the implicit price deflator for state and local government purchases of goods and services prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year.

The increase under this provision in any year may not be less than 2.5 percent or greater than 5.0 percent.

(d) In 2009 to 2010, the amounts paid under subdivision 2b, paragraphs (a) and (b) shall be increased by the greater of (1) one percent over the amount paid in the previous year, or (2) the inflation amount applied to the city appropriation under this subdivision. In 2011 and thereafter, the increase shall be equal to:

(1) the amount certified to be paid under that subdivision in the previous year, multiplied by

(2) one plus the percentage increase in the implicit price deflator for state and local government purchases of goods and services prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the previous year.

The increase under this provision in any year may not be less than 2.5 percent or greater than 5.0 percent.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2008 and thereafter.

Sec. 8. UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR CALCULATION OF SCHOOL DISTRICT AIDS AND LEVIES.

For purposes of calculating school levies and aids for fiscal years 2009, 2010, and 2011 only, the commissioner of revenue shall compute the adjusted net tax capacity and referendum market value as if the tax base changes resulting from the amendments to Minnesota Rules, chapter 8100, including the phase-in provisions of Minnesota Rules, part 8100.0800, were effective one year earlier.

31.1 EFFECTIVE DATE. This section is effective for revenue for fiscal years 2009,
31.2 2010, and 2011.

31.3 Sec. 9. UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR
31.4 CALCULATION OF COUNTY AND CITY AIDS.

31.5 For purposes of calculating aid for cities under section 477A.013, and for counties
31.6 under section 477A.0124, for payment in 2008, 2009, and 2010 only, the commissioner
31.7 of revenue shall calculate the adjusted net tax capacity of cities and counties, as defined
31.8 in sections 477A.011 and 477A.0124, as if the tax base changes resulting from the
31.9 amendments to Minnesota Rules, chapter 8100, including the phase-in provisions of
31.10 Minnesota Rules, part 8100.0800, were effective one year earlier.

31.11 EFFECTIVE DATE. This section is effective for aids payable in 2008, 2009,
31.12 and 2010.

31.13 Sec. 10. MAHNOMEN COUNTY; COUNTY PROPERTY TAX
31.14 REIMBURSEMENT, CITY AND SCHOOL DISTRICT TAX BASE
31.15 ADJUSTMENTS.

31.16 Subdivision 1. Aid appropriation. \$250,000 is appropriated in fiscal year 2009
31.17 from the general fund to the commissioner of revenue to make a payment in calendar year
31.18 2008 to the county of Mahnomen to compensate for the loss of property tax revenue due
31.19 to the pending placement of property, located in the city of Mahnomen, into trust status by
31.20 the United States Department of the Interior, Bureau of Indian Affairs.

31.21 Subd. 2. School district and city tax base adjustments. (a) The commissioner of
31.22 revenue must reduce the referendum market value and adjusted net tax capacity used to
31.23 calculate school levies beginning with taxes payable in 2008 and subsequent years for
31.24 Independent School District No. 432, Mahnomen, by the amounts attributable to the
31.25 property that is pending placement into trust status by the United States Department of
31.26 the Interior, Bureau of Indian Affairs. This adjustment shall be made each year until one
31.27 year after the removal of the property from the tax rolls.

31.28 (b) The commissioner of revenue must reduce the city net tax capacity used to
31.29 calculate city aid under sections 477A.011 to 477A.03, beginning with aids payable in
31.30 2008 for the city of Mahnomen, by the amounts attributable to property that is pending
31.31 placement into trust status by the United States Department of the Interior, Bureau of
31.32 Indian Affairs. This adjustment shall be made each year until one year after the removal of
31.33 the property from the tax rolls.

32.1 **EFFECTIVE DATE.** This section is effective for aids and levies payable in 2008
32.2 and thereafter.

32.3 Sec. 11. **STUDY OF CITY LOCAL GOVERNMENT AID PROGRAM.**

32.4 The commissioner of revenue shall work with representatives of all major city
32.5 organizations, representing at least 40 cities on this issue, to study the current local
32.6 government aid formula for cities, along with alternatives proposed by the various
32.7 interest groups, and provide a written report with recommendations to the legislature, in
32.8 compliance with Minnesota Statutes, sections 3.195 and 3.197, by February 1, 2008.
32.9 The study must list the alternatives considered and any recommended changes for
32.10 which consensus has been reached. If there is no consensus on proposed changes, the
32.11 commissioner shall report this. The commissioner shall allocate minimal staff time to the
32.12 study, but must provide staff to organize and chair any meetings of the study group and
32.13 provide modeling assistance for the final proposed changes.

32.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

32.15 **ARTICLE 4**
32.16 **PROPERTY TAXES**

32.17 Section 1. Minnesota Statutes 2006, section 97A.061, subdivision 2, is amended to
32.18 read:

32.19 Subd. 2. **Allocation.** (a) Except as provided in subdivision 3, the county treasurer
32.20 shall allocate the payment among the county, towns, and school districts on the same basis
32.21 as if the payments were taxes on the land received in the year. Payment of a town's or a
32.22 school district's allocation must be made by the county treasurer to the town or school
32.23 district within 30 days of receipt of the payment to the county. The county's share of the
32.24 payment shall be deposited in the county general revenue fund.

32.25 (b) The county treasurer of a county with a population over 39,000 but less than
32.26 42,000 in the 1950 federal census shall allocate the payment only among the towns and
32.27 school districts on the same basis as if the payments were taxes on the lands received
32.28 in the current year.

32.29 (c) If a town received a payment in calendar year 2006 or thereafter under this
32.30 subdivision, and subsequently incorporated as a city, the city will continue to receive any
32.31 future year's allocations that would have been made to the town had it not incorporated,
32.32 provided the city does not pass ordinances prohibiting hunting.

33.1 **EFFECTIVE DATE.** This section is effective for aid payments made in 2007
33.2 and thereafter.

33.3 Sec. 2. Minnesota Statutes 2006, section 127A.48, subdivision 3, is amended to read:

33.4 Subd. 3. **Agricultural lands.** For purposes of determining the adjusted net tax
33.5 capacity of agricultural lands for the calculation of adjusted net tax capacities, the market
33.6 value of agricultural lands must be the price for which the property would sell in an
33.7 arm's-length transaction. When agricultural land is sold, the property is enrolled under
33.8 section 273.111, and the purchaser changes its use in a manner that would result in
33.9 a change of classification of the property, the assessment/sales ratio study under this
33.10 subdivision must take into account that changed classification as soon as practicable. A
33.11 change in status from homestead to nonhomestead or from nonhomestead to homestead is
33.12 not a change in classification under this subdivision.

33.13 **EFFECTIVE DATE.** This section is effective for the first study prepared following
33.14 the day following final enactment.

33.15 Sec. 3. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
33.16 to read:

33.17 Subd. 85. **Modular homes used as models by dealers.** (a) A modular home
33.18 is exempt if it:

33.19 (1) is owned by a modular home dealer and is located on land owned or leased
33.20 by that dealer;

33.21 (2) is a single-family model home;

33.22 (3) is not available for sale and is used exclusively as a model;

33.23 (4) is not permanently connected to any utilities except electricity; and

33.24 (5) is situated on a temporary foundation.

33.25 (b) The exemption under this subdivision is allowable for up to five assessment
33.26 years after the date it becomes located on the property, provided that the modular home
33.27 continues to meet all of the criteria under this subdivision each year. The owner of a
33.28 modular model home must notify the county assessor within 60 days that it has been
33.29 constructed or located on the property and must again notify the assessor if the modular
33.30 home ceases to meet any of the criteria. If more than one modular home is constructed or
33.31 situated on a property, the owner must notify the assessor within 60 days for each of the
33.32 models placed on the property.

33.33 (c) For purposes of this subdivision, a "modular home" means a building or
33.34 structural unit that has been in whole or substantial part manufactured or constructed at an

34.1 off-site location to be wholly or partially assembled on-site as a single family dwelling.
34.2 Construction of the modular home must comply with applicable standards adopted in
34.3 Minnesota Rules authorized under Minnesota Statutes, chapter 16B. A modular home does
34.4 not include a structure subject to the requirements of the National Manufactured Home
34.5 Construction and Safety Standards Act of 1974 or prefabricated buildings, as defined in
34.6 Minnesota Statutes, section 327.31, subdivision 6.

34.7 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
34.8 thereafter, for taxes payable in 2008 and thereafter. The five-year assessment time period
34.9 begins with the 2007 assessment for a modular model home currently situated provided
34.10 it meets all of the criteria and the county assessor is notified within 90 days of the day
34.11 following final enactment.

34.12 Sec. 4. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
34.13 to read:

34.14 Subd. 86. **Electric generation facility; personal property.** (a) Notwithstanding
34.15 subdivision 9, clause (a), attached machinery and other personal property which is part of
34.16 a simple-cycle combustion-turbine electric generation facility that exceeds 150 megawatts
34.17 of installed capacity and that meets the requirements of this subdivision is exempt. At
34.18 the time of construction, the facility must:

34.19 (1) utilize natural gas as a primary fuel;

34.20 (2) be owned by an electric generation and transmission cooperative;

34.21 (3) be located within one mile of an existing 16-inch natural gas pipeline and a
34.22 69-kilovolt and a 230-kilovolt high-voltage electric transmission line;

34.23 (4) be designed to provide peaking, emergency backup, or contingency services;

34.24 (5) have received a certificate of need under section 216B.243 demonstrating
34.25 demand for its capacity; and

34.26 (6) have received by resolution the approval from the governing bodies of the county
34.27 and the city in which the proposed facility is to be located for the exemption of personal
34.28 property under this subdivision.

34.29 (b) Construction of the facility must be commenced after January 1, 2008, and
34.30 before January 1, 2012. Property eligible for this exemption does not include electric
34.31 transmission lines and interconnections or gas pipelines and interconnections appurtenant
34.32 to the property or the facility.

34.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

35.1 Sec. 5. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
35.2 to read:

35.3 Subd. 87. **Apprenticeship training facilities.** Property used exclusively for a
35.4 state-approved apprenticeship program through the Department of Labor and Industry and
35.5 owned by a 501(c)(3) nonprofit corporation is exempt, provided the program participants
35.6 receive no compensation.

35.7 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
35.8 thereafter, for taxes payable in 2008 and thereafter.

35.9 Sec. 6. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

35.10 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5,
35.11 whenever any real estate is sold for a consideration in excess of \$1,000, whether by
35.12 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
35.13 grantee or the legal agent of either shall file a certificate of value with the county auditor
35.14 in the county in which the property is located when the deed or other document is
35.15 presented for recording. Contract for deeds are subject to recording under section 507.235,
35.16 subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full
35.17 actual consideration thereof, paid or to be paid, including the amount of any lien or liens
35.18 assumed. The items and value of personal property transferred with the real property
35.19 must be listed and deducted from the sale price. The certificate of value shall include the
35.20 classification to which the property belongs for the purpose of determining the fair market
35.21 value of the property, and shall include any proposed change in use of the property known
35.22 to the person filing the certificate that could change the classification of the property. The
35.23 certificate shall include financing terms and conditions of the sale which are necessary
35.24 to determine the actual, present value of the sale price for purposes of the sales ratio
35.25 study. The commissioner of revenue shall promulgate administrative rules specifying the
35.26 financing terms and conditions which must be included on the certificate. Pursuant to the
35.27 authority of the commissioner of revenue in section 270C.306, the certificate of value
35.28 must include the Social Security number or the federal employer identification number
35.29 of the grantors and grantees. The identification numbers of the grantors and grantees are
35.30 private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9
35.31 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to
35.32 the commissioner of revenue for purposes of tax administration. The information required
35.33 to be shown on the certificate of value is limited to the information required as of the date
35.34 of the acknowledgment on the deed or other document to be recorded.

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Sec. 7. 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~~ through 2008, 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~~ 2009, 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~~ 2010, 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, 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 for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, section 273.11, is amended by adding a subdivision to read:

Subd. 16a. **Valuation exclusion for certain improvements.** (a) Improvements to homestead property made after January 2, 2008, shall be excluded from the value of the property for assessment purposes provided that (1) the house is at least 50 years old at the time of the improvement and (2) the assessor's estimated market value of the property on January 2 of the current year does not exceed \$400,000.

37.1 (b) The age of a residence is the number of years since the original year of its
37.2 construction. In the case of an owner-occupied duplex or triplex, the improvement is
37.3 eligible regardless of which portion of the property was improved.

37.4 (c) If the property lies in a jurisdiction that is subject to a building permit process, a
37.5 building permit must have been issued prior to commencement of the improvement.
37.6 The improvements for a single project or in any one year must add at least \$15,000
37.7 market value to the property to be eligible for exclusion under this subdivision. Only
37.8 improvements to the structure which is the residence of the qualifying homesteader, or
37.9 construction of or improvements to no more than one two-car garage per residence,
37.10 qualify for the provisions of this subdivision. Whenever a building permit is issued for
37.11 property currently classified as homestead, the issuing jurisdiction shall notify the property
37.12 owner of the possibility of valuation exclusion under this subdivision. The assessor shall
37.13 require an application, including documentation of the age of the house from the owner,
37.14 if unknown by the assessor. The application may be filed subsequent to the date of the
37.15 building permit provided that the application must be filed within two years of the date the
37.16 building permit was issued for the improvement. If the property lies in a jurisdiction that
37.17 is not subject to a building permit process, the application must be filed within two years
37.18 of the date the improvement was made. The assessor may require proof from the taxpayer
37.19 of the date the improvement was made. Applications must be received prior to July 1 of
37.20 any year in order to be effective for taxes payable in the following year.

37.21 (d) In the case of a residence that is relocated, the relocation must be from a location
37.22 within the state and the only improvements eligible for exclusion under this subdivision
37.23 are (1) those for which building permits were issued to the homeowner after the residence
37.24 was relocated to its present site, and (2) those undertaken during or after the year the
37.25 residence is initially occupied by the homeowner, excluding any market value increase
37.26 relating to basic improvements that are necessary to install the residence on its foundation
37.27 and connect it to utilities at its present site.

37.28 (e) No exclusion for an improvement may be granted by a local board of review or
37.29 county board of equalization, and no abatement of the taxes for qualifying improvements
37.30 may be granted by the county board unless (1) a building permit was issued prior to the
37.31 commencement of the improvement if the jurisdiction requires a building permit, and
37.32 (2) an application was completed.

37.33 (f) The assessor shall note the qualifying value of each improvement on the
37.34 property's record, and the sum of those amounts must be subtracted from the value of the
37.35 property in each year for ten years after the improvement has been made. After ten years,
37.36 the amount of the qualifying value shall be added back as follows:

(1) 50 percent in the two subsequent assessment years if the qualifying value is equal to or less than \$20,000 market value; or

(2) 33-1/3 percent in the three subsequent assessment years if the qualifying value is greater than \$20,000 market value.

(g) If an application is filed after the first assessment date at which an improvement could have been subject to the valuation exclusion under this subdivision, the ten-year period during which the value is subject to exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. The valuation exclusion terminates whenever (1) the property is sold, or (2) the property is reclassified to a class that does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity. The qualifying value of the property must be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

(h) The total qualifying value for a homestead may not exceed \$75,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement. The maximum qualifying value under this subdivision may result from no more than two separate improvements to the homestead.

(i) If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster must be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 2, 2008, increase the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

EFFECTIVE DATE. This section is effective for improvements made after January 2, 2008.

Sec. 9. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision to read:

Subd. 16. **Applications; denied by county.** For applications filed for the 2007 and 2008 assessment years, all applications for deferment of taxes and assessment under this section that have been denied by the county shall be forwarded to the commissioner of revenue by the county assessor within 30 days of denial. The assessor shall also provide the commissioner with a list of any property owners that requested an application and were denied, including names and addresses, and the reason for the denial. For the purpose of monitoring compliance with this section, the commissioner shall compile a report identifying all denied applications and requests for applications that were denied, the reason for the denial, and any commissioner action or recommendation. A report must be submitted to the chairs of the house and senate tax committees on or before February 1, 2008, and February 1, 2009, in compliance with Minnesota Statutes, sections 3.195 and 3.197.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2006, section 273.124, subdivision 1, is amended to read:

Subdivision 1. **General rule.** (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property held by a trustee under a trust is eligible for homestead classification if the requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the Department of Revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal residential recreational property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d). In the case of nonagricultural property, this paragraph only applies to applications approved before July 1, 2007.

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, grandson, granddaughter, father, or mother of the owner of the agricultural property or a

41.1 son, daughter, grandson, or granddaughter of the spouse of the owner of the agricultural
41.2 property;

41.3 (2) the owner of the agricultural property must be a Minnesota resident;

41.4 (3) the owner of the agricultural property must not receive homestead treatment on
41.5 any other agricultural property in Minnesota; and

41.6 (4) the owner of the agricultural property is limited to only one agricultural
41.7 homestead per family under this paragraph.

41.8 Neither the related occupant nor the owner of the property may claim a property
41.9 tax refund under chapter 290A for a homestead occupied by a relative qualifying under
41.10 this paragraph. For purposes of this paragraph, "agricultural property" means the house,
41.11 garage, other farm buildings and structures, and agricultural land.

41.12 Application must be made to the assessor by the owner of the agricultural property to
41.13 receive homestead benefits under this paragraph. The assessor may require the necessary
41.14 proof that the requirements under this paragraph have been met.

41.15 (e) In the case of property owned by a property owner who is married, the assessor
41.16 must not deny homestead treatment in whole or in part if only one of the spouses occupies
41.17 the property and the other spouse is absent due to: (1) marriage dissolution proceedings,
41.18 (2) legal separation, (3) employment or self-employment in another location, or (4) other
41.19 personal circumstances causing the spouses to live separately, not including an intent to
41.20 obtain two homestead classifications for property tax purposes. To qualify under clause
41.21 (3), the spouse's place of employment or self-employment must be at least 50 miles distant
41.22 from the other spouse's place of employment, and the homesteads must be at least 50 miles
41.23 distant from each other. Homestead treatment, in whole or in part, shall not be denied to
41.24 the owner's spouse who previously occupied the residence with the owner if the absence
41.25 of the owner is due to one of the exceptions provided in this paragraph.

41.26 (f) The assessor must not deny homestead treatment in whole or in part if:

41.27 (1) in the case of a property owner who is not married, the owner is absent due to
41.28 residence in a nursing home, boarding care facility, or an elderly assisted living facility
41.29 property as defined in section 273.13, subdivision 25a, and the property is not otherwise
41.30 occupied; or

41.31 (2) in the case of a property owner who is married, the owner or the owner's spouse
41.32 or both are absent due to residence in a nursing home, boarding care facility, or an elderly
41.33 assisted living facility property as defined in section 273.13, subdivision 25a, and the
41.34 property is not occupied or is occupied only by the owner's spouse.

41.35 (g) If an individual is purchasing property with the intent of claiming it as a
41.36 homestead and is required by the terms of the financing agreement to have a relative

42.1 shown on the deed as a co-owner, the assessor shall allow a full homestead classification.
42.2 This provision only applies to first-time purchasers, whether married or single, or to a
42.3 person who had previously been married and is purchasing as a single individual for the
42.4 first time. The application for homestead benefits must be on a form prescribed by the
42.5 commissioner and must contain the data necessary for the assessor to determine if full
42.6 homestead benefits are warranted.

42.7 (h) If residential or agricultural real estate is occupied and used for purposes of a
42.8 homestead by a child of a deceased owner and the property is subject to jurisdiction of
42.9 probate court, the child shall receive relative homestead classification under paragraph (c)
42.10 or (d) to the same extent they would be entitled to it if the owner was still living, until
42.11 the probate is completed. For purposes of this paragraph, "child" includes a relationship
42.12 by blood or by marriage.

42.13 (i) If a single-family home, duplex, or triplex classified as either residential
42.14 homestead or agricultural homestead is also used to provide licensed child care, the
42.15 portion of the property used for licensed child care must be classified as a part of the
42.16 homestead property.

42.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

42.18 Sec. 11. Minnesota Statutes 2006, section 273.124, subdivision 14, is amended to read:

42.19 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than
42.20 ten acres that is the homestead of its owner must be classified as class 2a under section
42.21 273.13, subdivision 23, paragraph (a), if:

42.22 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
42.23 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
42.24 Service, or (iii) land administered by the Department of Natural Resources on which in
42.25 lieu taxes are paid under sections 477A.11 to 477A.14;

42.26 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least
42.27 20 acres;

42.28 (3) the noncontiguous land is located not farther than four townships or cities, or a
42.29 combination of townships or cities from the homestead; and

42.30 (4) the agricultural use value of the noncontiguous land and farm buildings is equal
42.31 to at least 50 percent of the market value of the house, garage, and one acre of land.

42.32 Homesteads initially classified as class 2a under the provisions of this paragraph shall
42.33 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
42.34 properties, as long as the homestead remains under the same ownership, the owner owns a
42.35 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use

value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property consisting of at least 40 acres, incorporating government lots and correctional 40's, shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the owner, the owner's spouse, the son or daughter of the owner or owner's spouse, or the grandson or granddaughter of the owner or the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(2) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (1), are Minnesota residents;

(3) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(4) ~~neither the owner nor and the person actively farming the property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property~~ must live either in the county where the agricultural property is located or in a county contiguous to the county where the agricultural property is located, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live ~~more than four townships or cities, or combination of four townships or cities~~ further from the agricultural property than in the county or county contiguous to the property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Real property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.

(iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same ~~township or city, or not farther than four townships or cities or combination thereof from~~ county or in a county contiguous to the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor

that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property consisting of at least 40 acres, incorporating government lots and correctional 40's, of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(2) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(3) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(4) that shareholder, member, or partner ~~does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property~~ lives in the county where the agricultural property is located or in a county contiguous to the county where the property is located.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within ~~the four townships or city criteria~~ the county or a contiguous county and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

EFFECTIVE DATE. The portion of this section relating to the 40 acres requirement is effective for assessment year 2007, taxes payable in 2008 and thereafter. The remaining portion relating to contiguous counties is effective for assessment year 2008 and thereafter, taxes payable in 2009 and thereafter.

Sec. 12. Minnesota Statutes 2006, section 273.128, subdivision 1, is amended to read:

Subdivision 1. ~~**Requirement**~~ **Requirements.** ~~Low-income rental property~~ In order to be classified as class 4d low-income rental housing under section 273.13, subdivision 25, ~~is entitled to valuation under this section if~~ the property must meet the requirements of subdivision 4, if applicable, and at least 75 20 percent of the units in the rental housing property must meet any of the following qualifications:

(1) the units are subject to a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, as amended;

(2) the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986, as amended;

(3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or

(4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

EFFECTIVE DATE. This section is effective for property taxes levied in 2007, payable in 2008, and thereafter.

Sec. 13. Minnesota Statutes 2006, section 273.128, is amended by adding a subdivision to read:

Subd. 4. Participation in crime-free multihousing program. (a) In addition to the requirements in subdivision 1, if the property qualifies under paragraph (b), the owners or managers must complete the three phases of the city's or county's crime-free multihousing program and the qualifying property must be annually certified by the police or sheriff as participating in the program. If a qualifying property is not certified within one year after it is first determined to be a qualifying property under paragraph (b), or does not annually maintain its certification in the program, the city or county shall notify the property owner that the qualifying property must comply with the requirements of this subdivision to maintain its classification as class 4d property. If a qualifying property is not in compliance within one year after receiving the notice from the city or county, the city or county shall issue a second notice and require the owners to enter into a plan to achieve compliance within one year. If, upon expiration of the one-year time period, the qualifying property has not been certified by the police or sheriff as completing the program, the city or county shall notify the commissioner of the Housing Finance Agency and the commissioner shall remove the property from the list of class 4d properties certified to the county or city assessor under subdivision 3. Once removed from the list, the property is not eligible for class 4d classification until it complies with this subdivision and its compliance has been certified to the Housing Finance Agency by the city or county. Certification to the Housing Finance Agency must be made by May 15 to be effective for taxes payable in the following year.

(b) A property is a qualifying property for purposes of this subdivision's requirements if it satisfies each of the following requirements:

(1) the property is located in a city or county that offers a crime-free multihousing program through its city police or county sheriff;

(2) over the preceding two-year period, the number of police or sheriff calls to the property exceeded the city's or county's average number of calls for multiunit rental properties for the period by at least 25 percent, adjusted for the number of rental units;

(3) the police or sheriff department has requested, in writing, the owners or managers of the property to enroll in the crime-free multihousing program and the owners or managers refused or failed to enroll within 60 days after the request, or failed to complete phases one and three within 90 days and all three phases of the program within a one-year time period; and

(4) the governing body of the city or county, by resolution, determines the property is a qualifying property under clauses (1) to (3).

(c) Low-income qualifying rental housing property classified as class 4d property for taxes payable in 2007 must meet the requirements of this section by May 15, 2010.

EFFECTIVE DATE. This section is effective for property taxes levied in 2007, payable in 2008, and thereafter.

Sec. 14. Minnesota Statutes 2006, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a class rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse; or

~~(2) any person, hereinafter referred to as "veteran," who:~~

~~(i) served in the active military or naval service of the United States; and~~

~~(ii) is entitled to compensation under the laws and regulations of the United States~~

~~for permanent and total service-connected disability due to the loss, or loss of use, by~~

~~reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both~~

~~lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or~~

~~a wheelchair; and~~

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~~(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or~~

~~(3)~~ any person who is permanently and totally disabled.

Property is classified and assessed under clause (3) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of revenue certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first ~~\$32,000~~ \$50,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real and personal property that abuts ~~a lakeshore line~~ public water as defined in section 103G.005, subdivision 15, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even

though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first ~~\$500,000~~ \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, ~~0.55~~ 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. If a class 1c resort property has any market value in tier III, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

51.1 The market value of class 1d property has the same class rates as class 1a property
51.2 under paragraph (a).

51.3 **EFFECTIVE DATE.** The portion of this section increasing the market value of
51.4 the first tier of class 1c resorts and striking the language relating to class 1b veterans'
51.5 homesteads is effective for assessment year 2007 and thereafter, for taxes payable in 2008
51.6 and thereafter. The remaining portion of this section relating to class 1c resorts is effective
51.7 for the assessment year 2008, for taxes payable in 2009 and thereafter.

51.8 Sec. 15. Minnesota Statutes 2006, section 273.13, subdivision 23, is amended to read:

51.9 Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any
51.10 improvements that is homesteaded. The market value of the house and garage and
51.11 immediately surrounding one acre of land has the same class rates as class 1a property
51.12 under subdivision 22. The value of the remaining land including improvements up to the
51.13 first tier valuation limit of agricultural homestead property has a net class rate of ~~0.55~~ 0.50
51.14 percent of market value. The remaining property over the first tier has a class rate of one
51.15 percent of market value. For purposes of this subdivision, the "first tier valuation limit of
51.16 agricultural homestead property" and "first tier" means the limit certified under section
51.17 273.11, subdivision 23.

51.18 (b) Class 2b property is (1) unplatted real estate, rural in character ~~and used~~
51.19 ~~exclusively for growing trees for timber, lumber, and wood and wood products;~~ (2)
51.20 ~~real estate,~~ that is not improved with a structure ~~and is used exclusively for growing~~
51.21 ~~trees for timber, lumber, and wood and wood products, if the owner has participated or~~
51.22 ~~is participating in a cost-sharing program for afforestation, reforestation, or timber stand~~
51.23 ~~improvement on that particular property, administered or coordinated by the commissioner~~
51.24 ~~of natural resources;~~ (3) and that consists of at least ten acres, including land used for
51.25 growing trees for timber, lumber, and wood products, but not including land used for
51.26 agricultural purposes, provided that the presence of a minor, ancillary nonresidential
51.27 structure does not disqualify property from the classification under this clause; (2) real
51.28 estate that is nonhomestead agricultural land; or ~~(4)~~ (3) a landing area or public access
51.29 area of a privately owned public use airport. Class 2b property has a net class rate of one
51.30 percent of market value.

51.31 (c) Agricultural land as used in this section means contiguous acreage of ten acres or
51.32 more, used during the preceding year for agricultural purposes. "Agricultural purposes" as
51.33 used in this section means the raising or cultivation of agricultural products. "Agricultural
51.34 purposes" also includes enrollment in the Reinvest in Minnesota program under sections
51.35 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public

52.1 Law 99-198 if the property was classified as agricultural (i) under this subdivision for
52.2 the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage
52.3 on the same parcel, or contiguous acreage on an immediately adjacent parcel under the
52.4 same ownership, may also qualify as agricultural land, but only if it is pasture, timber,
52.5 waste, unusable wild land, or land included in state or federal farm programs. Agricultural
52.6 classification for property shall be determined excluding the house, garage, and
52.7 immediately surrounding one acre of land, and shall not be based upon the market value of
52.8 any residential structures on the parcel or contiguous parcels under the same ownership.

52.9 (d) Real estate, excluding the house, garage, and immediately surrounding one acre
52.10 of land, of less than ten acres which is exclusively and intensively used for raising or
52.11 cultivating agricultural products, shall be considered as agricultural land.

52.12 Land shall be classified as agricultural even if all or a portion of the agricultural use
52.13 of that property is the leasing to, or use by another person for agricultural purposes.

52.14 Classification under this subdivision is not determinative for qualifying under
52.15 section 273.111.

52.16 The property classification under this section supersedes, for property tax purposes
52.17 only, any locally administered agricultural policies or land use restrictions that define
52.18 minimum or maximum farm acreage.

52.19 (e) The term "agricultural products" as used in this subdivision includes production
52.20 for sale of:

52.21 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing
52.22 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,
52.23 bees, and apiary products by the owner;

52.24 (2) fish bred for sale and consumption if the fish breeding occurs on land zoned
52.25 for agricultural use;

52.26 (3) the commercial boarding of horses if the boarding is done in conjunction with
52.27 raising or cultivating agricultural products as defined in clause (1);

52.28 (4) property which is owned and operated by nonprofit organizations used for
52.29 equestrian activities, excluding racing;

52.30 (5) game birds and waterfowl bred and raised for use on a shooting preserve licensed
52.31 under section 97A.115;

52.32 (6) insects primarily bred to be used as food for animals;

52.33 (7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood
52.34 products; and

52.35 (8) maple syrup taken from trees grown by a person licensed by the Minnesota
52.36 Department of Agriculture under chapter 28A as a food processor.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

- (1) wholesale and retail sales;
- (2) processing of raw agricultural products or other goods;
- (3) warehousing or storage of processed goods; and
- (4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(g) To qualify for classification under paragraph (b), clause ~~(4)~~ (3), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause ~~(4)~~ (3), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

- (i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;
- (ii) the land is part of the airport property; and
- (iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause ~~(4)~~ (3), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause ~~(4)~~ (3). For purposes of paragraph (b), clause ~~(4)~~ (3), "public access

54.1 area" means property used as an aircraft parking ramp, apron, or storage hangar, or an
54.2 arrival and departure building in connection with the airport.

54.3 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
54.4 thereafter, for taxes payable in 2008 and thereafter.

54.5 Sec. 16. Minnesota Statutes 2006, section 273.13, subdivision 24, is amended to read:

54.6 Subd. 24. **Class 3.** (a) Commercial and industrial property and utility real and
54.7 personal property is class 3a.

54.8 (1) Except as otherwise provided, each parcel of commercial, industrial, or utility
54.9 real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent
54.10 of the remaining market value. In the case of contiguous parcels of property owned by the
54.11 same person or entity, only the value equal to the first-tier value of the contiguous parcels
54.12 qualifies for the reduced class rate, except that contiguous parcels owned by the same
54.13 person or entity shall be eligible for the first-tier value class rate on each separate business
54.14 operated by the owner of the property, provided the business is housed in a separate
54.15 structure. For the purposes of this subdivision, the first tier means the first \$150,000 of
54.16 market value. Real property owned in fee by a utility for transmission line right-of-way
54.17 shall be classified at the class rate for the higher tier.

54.18 For purposes of this subdivision, parcels are considered to be contiguous even if
54.19 they are separated from each other by a road, street, waterway, or other similar intervening
54.20 type of property. Connections between parcels that consist of power lines or pipelines do
54.21 not cause the parcels to be contiguous. Property owners who have contiguous parcels of
54.22 property that constitute separate businesses that may qualify for the first-tier class rate shall
54.23 notify the assessor by July 1, for treatment beginning in the following taxes payable year.

54.24 (2) ~~All~~ Personal property that is: ~~(i) part of an electric generation, transmission, or~~
54.25 ~~distribution system; or (ii), including tools, implements, and machinery, has a class rate~~
54.26 of 3.0 percent.

54.27 (3) Personal property that is either: (i) part of a pipeline system transporting
54.28 or distributing water, gas, crude oil, or petroleum products; and (iii) not described in
54.29 clause (3), and all, including tools, implements, and machinery, or (ii) part of an electric
54.30 transmission or distribution system, including tools, implements, and machinery, has a
54.31 class rate of 2.25 percent.

54.32 (4) Railroad operating property has a class rate as provided under clause (1) for
54.33 the first tier of market value and the remaining market value. In the case of multiple
54.34 parcels in one county that are owned by one person or entity, only one first tier amount
54.35 is eligible for the reduced rate.

~~(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the~~ (5) Personal property consisting of mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

EFFECTIVE DATE. This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 17. Minnesota Statutes 2006, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), or subdivision 23, paragraph (b), clause (1), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 4c property must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise qualifies for class 4c is also class 4c regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified as class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year

preceding the year of assessment desiring classification as class ~~1e-or~~ 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located ~~will~~ must be designated class ~~1e-or~~ 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class ~~1e-or~~ 4c property must provide guest registers or other records demonstrating that the units for which class ~~1e-or~~ 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (4) (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall does not qualify for class ~~1e-or~~ 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of ~~one-acre~~ three acres of land owned and used by a nonprofit community service oriented organization; ~~provided that~~ and that is not used for residential purposes on either a temporary or permanent basis, qualifies for class 4c provided that it meets either of the following:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment ~~and the property is not used for residential purposes on either a temporary or permanent basis;~~ or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

58.1 (B) "property taxes" excludes the state general tax;

58.2 (C) a "nonprofit community service oriented organization" means any corporation,
58.3 society, association, foundation, or institution organized and operated exclusively for
58.4 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from
58.5 federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue
58.6 Code of 1986, as amended through December 31, 1990. ~~For purposes of this clause,; and~~

58.7 (D) "revenue-producing activities" shall include but not be limited to property or that
58.8 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt
58.9 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling
58.10 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an
58.11 insurance business, or office or other space leased or rented to a lessee who conducts a
58.12 for-profit enterprise on the premises.

58.13 Any portion of the property qualifying under item (i) which is used for revenue-producing
58.14 activities for more than six days in the calendar year preceding the year of assessment
58.15 shall be assessed as class 3a. The use of the property for social events open exclusively
58.16 to members and their guests for periods of less than 24 hours, when an admission is
58.17 not charged nor any revenues are received by the organization shall not be considered a
58.18 revenue-producing activity;

58.19 The organization shall maintain records of its charitable contributions and donations
58.20 and of public meetings and events held on the property and make them available upon
58.21 request any time to the assessor to ensure eligibility. An organization meeting the
58.22 requirement under item (ii) must file an application by May 1 with the assessor for
58.23 eligibility for the current year's assessment. The commissioner shall prescribe a uniform
58.24 application form and instructions;

58.25 (4) postsecondary student housing of not more than one acre of land that is owned by
58.26 a nonprofit corporation organized under chapter 317A and is used exclusively by a student
58.27 cooperative, sorority, or fraternity for on-campus housing or housing located within two
58.28 miles of the border of a college campus;

58.29 (5) manufactured home parks as defined in section 327.14, subdivision 3;

58.30 (6) real property that is actively and exclusively devoted to indoor fitness, health,
58.31 social, recreational, and related uses, is owned and operated by a not-for-profit corporation,
58.32 and is located within the metropolitan area as defined in section 473.121, subdivision 2;

58.33 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt
58.34 under section 272.01, subdivision 2, and the land on which it is located, provided that:

58.35 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan
58.36 Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion

of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

EFFECTIVE DATE. The portion of this section relating to class 4c resorts in paragraph (d), clause (1), is effective for assessment year 2008 and thereafter, for taxes payable in 2009 and thereafter. The portion of this section relating to nonprofit community service oriented organizations is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter, except that the application date in paragraph (d), clause (3), item (ii), for the 2007 assessment is extended to September 1, 2007.

Sec. 18. Minnesota Statutes 2006, section 273.13, subdivision 33, is amended to read:

Subd. 33. **Classification of unimproved property.** (a) All real property that is not improved with a structure must be classified according to its current use.

(b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

EFFECTIVE DATE. This section is effective for assessment year 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 19. Minnesota Statutes 2006, section 273.13, is amended by adding a subdivision to read:

Subd. 34. **Homestead of disabled veteran.** (a) All or a portion of the market value of property qualifying for homestead classification under subdivision 22 or 23 is excluded in determining the property's taxable market value if it serves as the homestead of a military veteran, as defined in section 197.447, who has a service-connected disability of 50 percent or more. To qualify for exclusion under this subdivision, the veteran must have

61.1 been honorably discharged from the United States armed forces, as indicated by United
61.2 States Government Form DD214 or other official military discharge papers, and must be
61.3 certified by the United States Veterans Administration as having a service-connected
61.4 disability.

61.5 (b)(1) For a disability rating of at least 50 percent but less than 70 percent, \$100,000
61.6 of market value is excluded;

61.7 (2) for a disability rating of 70 percent or more, \$150,000 of market value is
61.8 excluded, except as provided in clause (3); and

61.9 (3) for a total (100 percent) and permanent disability, \$300,000 of market value is
61.10 excluded.

61.11 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b),
61.12 clause (3), predeceases the veteran's spouse, and if upon the death of the veteran the
61.13 spouse holds the legal or beneficial title to the homestead and permanently resides there,
61.14 the exclusion shall carry over to the benefit of the veteran's spouse until such time as the
61.15 spouse sells, transfers, or otherwise disposes of the property.

61.16 (d) In the case of an agricultural homestead, only the portion of the property
61.17 consisting of the house and garage and immediately surrounding one acre of land qualifies
61.18 for the valuation exclusion under this subdivision.

61.19 (e) A property qualifying for a valuation exclusion under this subdivision is not
61.20 eligible for the credit under section 273.1384, subdivision 1.

61.21 (f) To qualify for a valuation exclusion under this subdivision a property owner must
61.22 apply to the assessor by July 1 of each assessment year, except that an annual reapplication
61.23 is not required once a property has been accepted for a valuation exclusion under paragraph
61.24 (b), clause (3), and the property continues to qualify until there is a change in ownership.

61.25 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
61.26 thereafter, for taxes payable in 2008 and thereafter.

61.27 Sec. 20. Minnesota Statutes 2006, section 275.065, is amended by adding a subdivision
61.28 to read:

61.29 Subd. 3b. **Supplemental notice of proposed levy increases.** (a) If a city that has
61.30 a population of more than 2,500 or a county proposes a levy increase greater than the
61.31 threshold increase calculated under paragraph (b), it shall prepare and deliver by first class
61.32 mail a supplemental proposed property tax notice to each property taxpayer in the taxing
61.33 jurisdiction, as described in this subdivision.

61.34 (b) The threshold increase in the proposed property tax levy is equal to the levy in
61.35 the previous year, multiplied by the sum of (1) one percent, (2) the percentage growth,

62.1 if any, in the population in the taxing jurisdiction for the most recent available year, (3)
62.2 the percentage increase in the total market value in the taxing jurisdiction due to new
62.3 construction of commercial and industrial property, and (4) the percentage increase in the
62.4 implicit price deflator for government consumption expenditures and gross investment for
62.5 state and local governments as prepared by the United States Department of Commerce
62.6 for the most recent 12-month period ending March of the levy year.

62.7 (c) The supplemental proposed notice must show the taxing jurisdiction's (1) levy for
62.8 the previous year, (2) its threshold levy increase indicating that this increase is calculated
62.9 to reflect reasonable growth adjusting for population increases, increased demand from
62.10 new business, and inflation, (3) the proposed property tax increase, and (4) the amount the
62.11 proposed increase exceeds the threshold increase. The notice must contain a description of
62.12 why the jurisdiction needs to raise property taxes above the threshold amount and how the
62.13 taxing jurisdiction plans to spend the additional revenue.

62.14 **EFFECTIVE DATE.** This section is effective for taxes levied in calendar year
62.15 2007 and thereafter.

62.16 Sec. 21. Minnesota Statutes 2006, section 275.065, is amended by adding a subdivision
62.17 to read:

62.18 Subd. 6c. **Joint public hearing; nonmetropolitan county, cities, and school**
62.19 **districts.** (a) Notwithstanding any other provision of law, the county board may hold a
62.20 joint hearing with the governing bodies of all taxing authorities located wholly or partially
62.21 within the county that are required to hold a public hearing under this section, excluding
62.22 special taxing districts. The primary purpose of the joint hearing is for taxpayer efficiency
62.23 by allowing taxpayers to come to a single public hearing to discuss the budgets and
62.24 proposed property tax levies of most taxing authorities that impact the taxes on their
62.25 property.

62.26 (b) This subdivision applies only to counties located outside the metropolitan area
62.27 as defined under section 473.121, subdivision 2. If a city or school district is located
62.28 partially within the metropolitan area, that taxing jurisdiction may participate in its
62.29 nonmetropolitan county's joint hearing, if it so chooses.

62.30 (c) Upon the adoption of a resolution by the county board to hold a joint public
62.31 hearing, the county shall notify each city with a population over 500 and each school
62.32 district located wholly or partially within the county of its intention to hold the joint
62.33 hearing and ask each of the taxing authorities if it would like to participate. Participation
62.34 is voluntary, and participation in the joint hearing is in lieu of the requirement for the
62.35 governing body to hold a separate public hearing under subdivision 6. If a participating

63.1 city or school district is located in more than one county, the hearing under this subdivision
63.2 is in lieu of the requirement to hold a separate public hearing if 75 percent or more
63.3 of that city or school district's previous year's net tax capacity is in the county where
63.4 the hearing is held.

63.5 (d) The initial joint hearing must be held on the first Thursday in December. The
63.6 county may hold an additional joint hearing on another date before December 20 if the
63.7 majority of the participating taxing authorities want an additional hearing.

63.8 The county board shall obtain a meeting space to hold the joint hearing, preferably
63.9 at a public building such as the courthouse, school, or community center. The location
63.10 shall be as centrally located within the county as possible. The meeting shall generally be
63.11 structured in the following general manner:

63.12 (1) the first 30 to 60 minutes must be devoted to discussion of the county's budget
63.13 and levy;

63.14 (2) the next 30 to 60 minutes must be devoted to discussion of the city's budget and
63.15 levy, with each city's discussion held in a separate room, preferably in the same building;

63.16 (3) the next 30 to 60 minutes must be devoted to discussion of the school district's
63.17 levy, with each school district's discussion held in a separate room, preferably in the
63.18 same building; and

63.19 (4) during the last 30 minutes the governing bodies must reassemble in a joint
63.20 meeting to entertain any follow-up questions that have arisen from the separate discussions.

63.21 The county shall attempt to keep the total public hearing to within three hours.

63.22 (e) In lieu of the public advertisement requirement in subdivision 5a, the county shall
63.23 have a single advertisement listing the county, each city with a population of over 500, and
63.24 each school district participating in the joint public hearing listing. Any taxing authority
63.25 participating under this subdivision is exempt from the separate public advertisement
63.26 requirement under subdivision 5a. The cost of the joint hearing advertisement shall be
63.27 apportioned in the same manner provided in subdivision 4. The notice must be published
63.28 not less than two business days nor more than six business days before the hearing. The
63.29 newspaper selected must be one of general interest and readership in the community, and
63.30 not one of limited subject matter. The advertisement must appear in a newspaper that is
63.31 published at least once per week. The advertisement must be in the following form:

63.32 "NOTICE OF JOINT PUBLIC HEARING

63.33 PROPOSED TOTAL PROPERTY TAXES

63.34 FOR PARTICIPATING TAXING AUTHORITIES

63.35 The property tax amounts below compare that portion of the current budget levied in
63.36 property taxes in the county, cities, and school districts for (year) with the property

taxes the county, cities, and school districts propose to collect in (year) for those taxing authorities participating in the joint public hearing.

<u>Taxing Authority</u>	<u>(Year) Property Taxes</u>	<u>Proposed (Year) Property Taxes</u>	<u>Change (Year) - (Year)</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>
<u>\$.....</u>	<u>\$.....</u>	<u>\$.....</u>	<u>...%</u>

ATTEND THE JOINT PUBLIC HEARING

All residents are invited to attend the joint public hearing of the county/cities/school districts to express your opinions on the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)
(Location/Address)

If the discussion cannot be completed, and another hearing is scheduled, a time and place for that hearing will be announced at this hearing. You are also invited to send your written comments to the county auditor. If the comments relate to the city or school district's levy, please identify that on the envelope so the county auditor can direct the correspondence to the right jurisdiction."

The formal adoption of the taxing authority's levy must not be made at the joint public hearing held under this subdivision. The formal adoption must be made at one of the regularly scheduled meetings of the taxing authority's governing body. However, the property tax levy amount that is subsequently adopted cannot exceed the amount shown to taxpayers at the joint public hearing.

EFFECTIVE DATE. This section is effective for hearings held in 2007 and thereafter.

Sec. 22. Minnesota Statutes 2006, section 278.05, subdivision 6, is amended to read:

Subd. 6. **Dismissal of petition; exclusion of certain evidence.** (a) In cases where the petitioner contests the valuation of income-producing property, information, including income and expense figures in the form of (1) year-end financial statements for the year prior to the assessment date, (2) year-end financial statements for the year of the assessment date, and (3) rent rolls on the assessment date including tenant name, lease start and end dates, option terms, base rent, square footage leased and vacant space, verified net rentable areas in the form of net rentable square footage of the building or buildings, and anticipated income and expenses in the form of proposed budgets for the year subsequent to the year of the assessment date, for income-producing property must be provided to

the county assessor no later than 60 days after the applicable filing deadline contained in section 278.01, subdivision 1 or 4. Failure to provide the information required in this paragraph shall result in the dismissal of the petition, unless (1) the failure to provide it was due to the unavailability of the evidence at the time that the information was due, or (2) the petitioner was not aware of or informed of the requirement to provide the information.

If the petitioner proves that the requirements under clause (2) are met, the petitioner has an additional 30 days to provide the information from the time the petitioner became aware of or was informed of the requirement to provide the information, otherwise the petition shall be dismissed.

(b) Provided that the information as contained in paragraph (a) is timely submitted to the county assessor, the county assessor shall furnish the petitioner at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. The petitioner shall furnish to the county assessor at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. An appraisal of the petitioner's property done by or for the county shall not be admissible as evidence if the county assessor does not comply with the provisions in this paragraph. The petition shall be dismissed if the petitioner does not comply with the provisions in this paragraph.

EFFECTIVE DATE. This section is effective for petitions filed beginning July 1, 2007.

Sec. 23. Minnesota Statutes 2006, section 279.01, is amended by adding a subdivision to read:

Subd. 5. Homestead property; monthly payment option. (a) In the case of class 1, 1c, or 2a homestead property as defined in section 273.13, a homeowner may apply to make payments in eight equal monthly installments on the 15th day of each month from May through December. A homeowner desiring to utilize this option must apply to the county by April 15 of the year that the taxes are payable, following procedures established by the county.

(b) Each county must establish procedures allowing homeowners the option of paying the current year's property taxes on a monthly basis. The procedures must address how homeowners apply to participate in the program, how taxpayers can make payments, including the possibility of automatic bank withdrawals, how and whether the taxpayer is notified of each payment due date, whether to require annual applications, how to modify the property tax settlement process, and any other procedures the county board deems

66.1 necessary to implement this subdivision. The proposed procedures must be submitted to
66.2 the commissioner of revenue by November 1, 2007. The commissioner must review the
66.3 procedures and approve them or notify the county of changes that must be made to the
66.4 proposed procedures by January 1, 2008.

66.5 (c) The application procedure must be included in the property tax statement mailing.

66.6 (d) Penalties on unpaid taxes on property under the monthly payment program
66.7 must be computed by equating the number of days that any of the monthly payments are
66.8 overdue to the penalty for the corresponding number of days after May 15 that a payment
66.9 is overdue under subdivision 1.

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

66.12 Sec. 24. Minnesota Statutes 2006, section 279.37, subdivision 1a, is amended to read:

66.13 Subd. 1a. **Class 3a property.** (a) The delinquent taxes upon a parcel of property
66.14 which was classified class 3a, for the previous year's assessment and had a total market
66.15 value of ~~\$200,000~~ \$500,000 or less for that same assessment shall be eligible to be
66.16 composed into a confession of judgment. Property qualifying under this subdivision
66.17 shall be subject to the same provisions as provided in this section except as provided
66.18 in paragraphs (b) to (d).

66.19 (b) Current year taxes and penalty due at the time the confession of judgment
66.20 is entered must be paid.

66.21 (c) The down payment must include all special assessments due in the current tax
66.22 year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties,
66.23 and interest accrued against the parcel. The balance remaining is payable in four equal
66.24 annual installments.

66.25 (d) The amounts entered in judgment bear interest at the rate provided in section
66.26 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest
66.27 rate is subject to change each year on the unpaid balance in the manner provided in section
66.28 279.03, subdivision 1a.

66.29 **EFFECTIVE DATE.** This section is effective for confessions of judgment entered
66.30 into July 1, 2007, and thereafter.

66.31 Sec. 25. Minnesota Statutes 2006, section 289A.08, subdivision 13, is amended to read:

66.32 Subd. 13. **Long and short forms; local use tax instructions; property tax refund**
66.33 **information.** (a) The commissioner shall provide a long form individual income tax

67.1 return and may provide a short form individual income tax return. The returns shall be in
67.2 a form that is consistent with the provisions of chapter 290, notwithstanding any other
67.3 law to the contrary. The nongame wildlife checkoff provided in section 290.431 and the
67.4 dependent care credit provided in section 290.067 must be included on the short form.

67.5 (b) The commissioner must provide information on local use taxes in the individual
67.6 income tax instruction booklet. The commissioner must provide this information in the
67.7 same section of the booklet that provides information on the state use tax.

67.8 (c) The commissioner must refer to the property tax refunds allowed under chapter
67.9 290A on the front cover of the individual income tax instruction booklet, as well as
67.10 information within the booklet on income eligibility for the homestead and renter refunds,
67.11 and maximum refund amounts allowed in the current year.

67.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

67.13 Sec. 26. Minnesota Statutes 2006, section 289A.40, subdivision 4, is amended to read:

67.14 Subd. 4. **Property tax refund claims.** A property tax refund claim under chapter
67.15 290A is not allowed if the initial claim is filed more than (1) one year after the original
67.16 due date for filing the claim for refunds under section 290A.04, subdivision 2h; or (2) two
67.17 years after the original due date for filing the claim for refunds under section 290A.04,
67.18 subdivisions 2, 2a, and 2k.

67.19 **EFFECTIVE DATE.** This section is effective for property taxes payable in 2006
67.20 and thereafter and rent paid in 2005 and thereafter.

67.21 Sec. 27. Minnesota Statutes 2006, section 290B.03, subdivision 1, is amended to read:

67.22 Subdivision 1. **Program qualifications.** The qualifications for the senior citizens'
67.23 property tax deferral program are as follows:

67.24 (1) the property must be owned and occupied as a homestead by a person 65 years of
67.25 age or older. In the case of a married couple, ~~both~~ only one of the spouses must be at least
67.26 65 years old at the time the first property tax deferral is granted, regardless of whether the
67.27 property is titled in the name of one spouse or both spouses, or titled in another way that
67.28 permits the property to have homestead status;

67.29 (2) the total household income of the qualifying ~~homeowners~~ homeowner, or in the
67.30 case of a married couple, the qualifying homeowner and spouse, as defined in section
67.31 290A.03, subdivision 5, for the calendar year preceding the year of the initial application
67.32 may not exceed ~~\$60,000~~ \$75,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the ~~qualifying~~ homeowners for at least 15 years prior to the year the initial application is filed;

(4) there are no state or federal tax liens or judgment liens on the homesteaded property;

(5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause (6); and

(6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed 75 percent of the assessor's estimated market value for the year.

EFFECTIVE DATE. This section is effective for applications filed on or after July 1, 2007.

Sec. 28. Minnesota Statutes 2006, section 290B.03, subdivision 2, is amended to read:

Subd. 2. **Qualifying homestead; defined.** Qualifying homestead property is defined as the dwelling occupied as the homeowner's principal residence and so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivisions 22 and 23, but not to exceed one acre. The homestead may be part of a multidwelling building and the land on which it is built. Property is not qualifying homestead property if a person or entity other than the applicant or the applicant's spouse holds an interest in the property as the vendor under a contract for deed or as a remainderperson.

EFFECTIVE DATE. This section is effective for applications submitted on or after January 1, 2007.

Sec. 29. Minnesota Statutes 2006, section 290B.04, subdivision 3, is amended to read:

Subd. 3. **Excess-income certification by taxpayer.** A taxpayer whose initial application has been approved under subdivision 2 shall notify the commissioner of revenue in writing by July 1 if the taxpayer's household income for the preceding calendar year exceeded ~~\$60,000~~ \$75,000. The certification must state the homeowner's total household income for the previous calendar year. No property taxes may be deferred under this chapter in any year following the year in which a program participant filed or should have filed an excess-income certification under this subdivision showing income in

69.1 excess of the maximum allowed, unless the participant has filed a resumption of eligibility
69.2 certification as described in subdivision 4.

69.3 **EFFECTIVE DATE.** This section is effective for applications filed on or after
69.4 July 1, 2007.

69.5 Sec. 30. Minnesota Statutes 2006, section 290B.04, subdivision 4, is amended to read:

69.6 Subd. 4. **Resumption of eligibility certification by taxpayer.** A taxpayer who has
69.7 previously filed an excess-income certification under subdivision 3 may resume program
69.8 participation if the taxpayer's household income for a subsequent year is ~~\$60,000~~ \$75,000
69.9 or less. If the taxpayer chooses to resume program participation, the taxpayer must notify
69.10 the commissioner of revenue in writing by July 1 of the year following a calendar year in
69.11 which the taxpayer's household income is ~~\$60,000~~ \$75,000 or less. The certification must
69.12 state the taxpayer's total household income for the previous calendar year. Once a taxpayer
69.13 resumes participation in the program under this subdivision, participation will continue
69.14 until the taxpayer files a subsequent excess-income certification under subdivision 3 or
69.15 until participation is terminated under section 290B.08, subdivision 1.

69.16 **EFFECTIVE DATE.** This section is effective for applications filed on or after
69.17 July 1, 2007.

69.18 Sec. 31. Minnesota Statutes 2006, section 290B.05, subdivision 1, is amended to read:

69.19 Subdivision 1. **Determination by commissioner.** The commissioner shall
69.20 determine each qualifying homeowner's "annual maximum property tax amount"
69.21 following approval of the homeowner's initial application and following the receipt of a
69.22 resumption of eligibility certification. The "annual maximum property tax amount" equals
69.23 three percent of the homeowner's total household income for the year preceding either the
69.24 initial application or the resumption of eligibility certification, whichever is applicable.
69.25 Following approval of the initial application, the commissioner shall determine the
69.26 qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative
69.27 to the appropriate assessment year for any homeowner whose total household income
69.28 for the previous year exceeds ~~\$60,000~~ \$75,000. No tax shall be deferred in any year in
69.29 which the homeowner does not meet the program qualifications in section 290B.03. The
69.30 maximum allowable total deferral is equal to 75 percent of the assessor's estimated market
69.31 value for the year, less the balance of any mortgage loans and other amounts secured by
69.32 liens against the property at the time of application, including any unpaid and delinquent

70.1 special assessments and interest and any delinquent property taxes, penalties, and interest,
70.2 but not including property taxes payable during the year.

70.3 **EFFECTIVE DATE.** This section is effective for applications received on or after
70.4 July 1, 2007.

70.5 Sec. 32. Minnesota Statutes 2006, section 290B.07, is amended to read:

70.6 **290B.07 LIEN; DEFERRED PORTION.**

70.7 (a) Payment by the state to the county treasurer of property taxes, penalties, interest,
70.8 or special assessments and interest deferred under this chapter is deemed a loan from the
70.9 state to the program participant. The commissioner must ~~compute the interest as provided~~
70.10 ~~in section 270C.40, subdivision 5, but not to exceed five percent, and~~ maintain records of
70.11 the total deferred amount and interest for each participant. Interest shall accrue beginning
70.12 September 1 of the payable year for which the taxes are deferred, provided that no interest
70.13 shall be charged on (1) deferred property tax amounts on applications filed on or after
70.14 July 1, 2007, or (2) deferred property taxes beginning with taxes payable in 2008 on
70.15 applications filed prior to July 1, 2007. Any deferral made under this chapter shall not
70.16 be construed as delinquent property taxes.

70.17 The lien created under section 272.31 continues to secure payment by the taxpayer,
70.18 or by the taxpayer's successors or assigns, of the amount deferred, including interest, with
70.19 respect to all years for which amounts are deferred. The lien for deferred taxes and interest
70.20 has the same priority as any other lien under section 272.31, except that liens, including
70.21 mortgages, recorded or filed prior to the recording or filing of the notice under section
70.22 290B.04, subdivision 2, have priority over the lien for deferred taxes and interest. A
70.23 seller's interest in a contract for deed, in which a qualifying homeowner is the purchaser
70.24 or an assignee of the purchaser, has priority over deferred taxes and interest on deferred
70.25 taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred
70.26 taxes and interest for future years has the same priority as the lien for deferred taxes and
70.27 interest for the first year, which is always higher in priority than any mortgages or other
70.28 liens filed, recorded, or created after the notice recorded or filed under section 290B.04,
70.29 subdivision 2. The county treasurer or auditor shall maintain records of the deferred
70.30 portion and shall list the amount of deferred taxes for the year and the cumulative deferral
70.31 and interest for all previous years as a lien against the property. In any certification of
70.32 unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes
70.33 payable in the current year, deferred taxes and interest, and delinquent taxes. Payment
70.34 of the deferred portion becomes due and owing at the time specified in section 290B.08.

Upon receipt of the payment, the commissioner shall issue a receipt for it to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies.

Upon receipt by the commissioner of revenue of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

(b) If property for which taxes have been deferred under this chapter forfeits under chapter 281 for nonpayment of a nondeferred property tax amount, or because of nonpayment of amounts previously deferred following a termination under section 290B.08, the lien for the taxes deferred under this chapter, plus interest and costs, shall be canceled by the county auditor as provided in section 282.07. However, notwithstanding any other law to the contrary, any proceeds from a subsequent sale of the property under chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale fund for any direct costs of selling the property or any costs directly related to preparing the property for sale, and then to reimburse the state for the amount of the canceled lien. Within 90 days of the receipt of any sale proceed to which the state is entitled under these provisions, the county auditor must pay those funds to the commissioner of revenue by warrant for deposit in the general fund. No other deposit, use, distribution, or release of gross sale proceeds or receipts may be made by the county until payments sufficient to fully reimburse the state for the canceled lien amount have been transmitted to the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 33. **[290D.01] CITATION.**

This program shall be named the "seasonal recreational property tax deferral program."

EFFECTIVE DATE. This section is effective July 1, 2007.

Sec. 34. **[290D.02] TERMS.**

Subdivision 1. **Terms.** For purposes of sections 290D.01 to 290D.08, the terms defined in this section have the meanings given them.

Subd. 2. **Primary property owner.** "Primary property owner" means a person who (1) has been the owner, or one of the owners, of the eligible property for at least 15 years prior to the year the application is filed under section 290D.04; and (2) applies for the deferral of property taxes under section 290D.04.

Subd. 3. **Secondary property owner.** "Secondary property owner" means any person, other than the primary property owner, who has been an owner of the eligible property for at least 15 years prior to the year the initial application is filed for deferral of property taxes under section 290D.04.

Subd. 4. **Eligible property.** "Eligible property" means a parcel of property or contiguous parcels of property under the same ownership classified as noncommercial seasonal residential recreational 4c(1) property under section 273.13, subdivision 25.

Subd. 5. **Base property tax amount.** "Base property tax amount" means the total property taxes levied by all taxing jurisdictions, including special assessments, on the eligible property in the year prior to the year that the initial application is approved under section 290D.04 and payable in the year of the application.

Subd. 6. **Special assessments.** "Special assessments" means any assessment, fee, or other charge that may be made by law, and that appears on the property tax statement for the property for collection under the laws applicable to the enforcement of real estate taxes.

Subd. 7. **Commissioner.** "Commissioner" means the commissioner of revenue.

EFFECTIVE DATE. This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 35. **[290D.03] QUALIFICATIONS FOR DEFERRAL.**

In order for an eligible property to qualify for treatment under this program:

(1) the eligible property must have been owned solely by the primary property owner, or jointly with others, for at least 15 years prior to the year the initial application is filed;

(2) there must be no state or federal tax liens or judgment liens on the eligible property;

(3) there must be no mortgages or other liens on the eligible property that secure future advances, except for those subject to credit limits that result in compliance with clause (4); and

(4) the total unpaid balances of debts secured by mortgages and other liens on the eligible property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, must not exceed 60 percent of the assessor's estimated market value for the current assessment year.

EFFECTIVE DATE. This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 36. **[290D.04] APPLICATION FOR DEFERRAL.**

Subdivision 1. Initial application. (a) A primary owner of a property meeting the qualifications under section 290D.03 may apply to the commissioner for deferral of taxes on the eligible property. Applications are due on or before July 1 for deferral of any taxes payable in the following year. The application, which must be prescribed by the commissioner, shall include the following items and any other information the commissioner deems necessary:

(1) the name, address, and Social Security number of the primary property owner and secondary property owners, if any;

(2) a copy of the property tax statement for the current taxes payable year for the eligible property;

(3) the initial year of ownership of the primary property owner and any second property owners of the eligible property;

(4) information on any mortgage loans or other amounts secured by mortgages or other liens against the eligible property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens; and

(5) the signatures of the primary property owner and all other owners, if any, stating that each owner agrees to enroll the eligible property in the program to defer property taxes under this chapter.

The application must state that program participation is voluntary. The application must also state that program participation includes authorization for the annual deferred amount. The deferred property tax calculated by the county and the cumulative deferred property tax amount is public data.

(b) As part of the initial application process, if the property is abstract property, the commissioner may require the applicant to obtain at the applicant's cost a report prepared by a licensed abstracter showing the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien notices which were recorded on or after the date of that last deed with respect to the eligible property or to the applicant.

The certificate or report need not include references to any documents filed or recorded more than 40 years prior to the date of the certification or report. The certification or report must be as of a date not more than 30 days prior to submission of the application under this section.

74.1 The commissioner may also require the county recorder or county registrar of the
74.2 county where the eligible property is located to provide copies of recorded documents
74.3 related to the applicant of the eligible property, for which the recorder or registrar shall
74.4 not charge a fee. The commissioner may use any information available to determine or
74.5 verify eligibility under this section.

74.6 Subd. 2. **Approval; recording.** The commissioner shall approve all initial
74.7 applications that qualify under this chapter and shall notify the primary property owner on
74.8 or before December 1. The commissioner may investigate the facts or require confirmation
74.9 in regard to an application. The commissioner shall record or file a notice of qualification
74.10 for deferral, including the names of the primary and any secondary property owners and a
74.11 legal description of the eligible property, in the office of the county recorder, or registrar of
74.12 titles, whichever is applicable, in the county where the eligible property is located. The
74.13 notice must state that it serves as a notice of lien and that it includes deferrals under this
74.14 section for future years. The primary property owner shall pay the recording or filing fees
74.15 for the notice, which, notwithstanding section 357.18, shall be paid by that owner at the
74.16 time of satisfaction of the lien.

74.17 Subd. 3. **Penalty for failure; investigations.** (a) The commissioner shall assess
74.18 a penalty equal to 20 percent of the property taxes improperly deferred in the case of a
74.19 false application. The commissioner shall assess a penalty equal to 50 percent of the
74.20 property taxes improperly deferred if the taxpayer knowingly filed a false application. The
74.21 commissioner shall assess penalties under this section through the issuance of an order
74.22 under the provisions of chapter 270C. Persons affected by a commissioner's order issued
74.23 under this section may appeal as provided in chapter 270C.

74.24 (b) The commissioner may conduct investigations related to initial applications
74.25 required under this chapter within the period ending 3-1/2 years from the due date of
74.26 the application.

74.27 Subd. 4. **Annual certification to commissioner.** Annually on or before July 1,
74.28 the primary property owner must certify to the commissioner that the person continues
74.29 to qualify as a primary property owner. If the primary owner has died or has transferred
74.30 the property in the preceding year, a certification may be filed by the primary owner's
74.31 spouse, or by one of the secondary owners, provided that the person is currently an
74.32 owner of the property. In this case, the primary owner's spouse or the secondary owner
74.33 shall be considered the primary owner from that point forward. If neither the primary
74.34 owner, the primary owner's spouse, or a secondary owner is eligible to file the required
74.35 annual certification for the property, the property's participation in the program shall be
74.36 terminated, and the procedures in section 290D.07 apply.

75.1 Subd. 5. **Annual notice to primary property owner.** Annually, on or before
75.2 September 1, the commissioner shall notify each primary property owner, in writing, of
75.3 the total cumulative deferred taxes and accrued interest on the qualifying property as of
75.4 that date.

75.5 **EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008,
75.6 and thereafter.

75.7 Sec. 37. **[290D.05] DEFERRED PROPERTY TAX AMOUNT.**

75.8 Subdivision 1. **Calculation of deferred property tax amount.** Each year after
75.9 the county auditor has determined the final property tax rates under section 275.08, the
75.10 "deferred property tax amount" must be calculated on each eligible property. The deferred
75.11 property tax amount is equal to 50 percent of the amount of the difference between (1) the
75.12 total amount of property taxes and special assessments levied upon the eligible property
75.13 for the current year by all taxing jurisdictions and (2) the eligible property's base property
75.14 tax amount. Any tax attributable to new improvements made to the eligible property after
75.15 the initial application has been approved under section 290D.04, subdivision 2, must be
75.16 excluded in determining the deferred property tax amount. The eligible property's total
75.17 current year's tax less the deferred property tax amount for the current year must be listed
75.18 on the property tax statement and is the amount due to the county under chapter 276.
75.19 Reference that the property is enrolled in the seasonal recreational property tax deferral
75.20 program under this chapter and a state lien has been recorded must be clearly printed on
75.21 the statement.

75.22 Subd. 2. **Certification to commissioner.** The county auditor shall annually, on or
75.23 before April 15, certify to the commissioner the property tax deferral amounts determined
75.24 under this section for each eligible property in the county. The commissioner shall
75.25 prescribe the information that is necessary to identify the eligible properties.

75.26 Subd. 3. **Limitation on total amount of deferred taxes.** The total amount of
75.27 deferred taxes and interest on a property, when added to (1) the balance owed on any
75.28 mortgages on the property at the time of initial application; (2) other amounts secured by
75.29 liens on the property at the time of the initial application; and (3) any unpaid and delinquent
75.30 special assessments and interest and any delinquent property taxes, penalties, and interest,
75.31 but not including property taxes payable during the year, must not exceed 60 percent of
75.32 the assessor's estimated market value of the property for the current assessment year.

75.33 **EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008,
75.34 and thereafter.

Sec. 38. [290D.06] LIEN; DEFERRED PORTION.

(a) Payment by the state to the county treasurer of property taxes, penalties, interest, or special assessments and interest, deferred under this chapter is deemed a loan from the state to the program participant. The commissioner shall compute the interest as provided in section 270C.40, subdivision 5, but not to exceed two percent over the maximum interest rate provided in section 290B.07, paragraph (a), and maintain records of the total deferred amount and interest for each participant. Interest accrues beginning September 1 of the payable year for which the taxes are deferred. Any deferral made under this chapter must not be construed as delinquent property taxes.

The lien created under section 272.31 continues to secure payment by the taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien under section 272.31, except that liens, including mortgages, recorded or filed prior to the recording or filing of the notice under section 290D.04, subdivision 2, have priority over the lien for deferred taxes and interest. A seller's interest in a contract for deed, in which a qualifying owner is the purchaser or an assignee of the purchaser, has priority over deferred taxes and interest on deferred taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year, which is always higher in priority than any mortgages or other liens filed, recorded, or created after the notice recorded or filed under section 290D.04, subdivision 2. The county treasurer or auditor shall maintain records of the deferred portion and shall list the amount of deferred taxes for the year and the cumulative deferral and interest for all previous years as a lien against the eligible property. In any certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes. Payment of the deferred portion becomes due and owing at the time specified in section 290D.07. Upon receipt of the payment, the commissioner shall issue a receipt to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies. Upon receipt by the commissioner of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

(b) If eligible property for which taxes have been deferred under this chapter forfeits under chapter 281 for nonpayment of a nondeferred property tax amount, or because of nonpayment of amounts previously deferred following a termination under section 290D.07, the lien for the taxes deferred under this chapter, plus interest and costs, shall be

77.1 canceled by the county auditor as provided in section 282.07. However, notwithstanding
77.2 any other law to the contrary, any proceeds from a subsequent sale of the eligible property
77.3 under chapter 282 or another law, must be used to first reimburse the county's forfeited
77.4 tax sale fund for any direct costs of selling the eligible property or any costs directly
77.5 related to preparing the eligible property for sale, and then to reimburse the state for
77.6 the amount of the canceled lien. Within 90 days of the receipt of any sale proceeds to
77.7 which the state is entitled under these provisions, the county auditor must pay those funds
77.8 to the commissioner by warrant for deposit in the general fund. No other deposit, use,
77.9 distribution, or release of gross sale proceeds or receipts may be made by the county until
77.10 payments sufficient to fully reimburse the state for the canceled lien amount have been
77.11 transmitted to the commissioner.

77.12 **EFFECTIVE DATE.** This section is effective for applications filed July 1, 2008,
77.13 and thereafter.

77.14 Sec. 39. **[290D.07] TERMINATION OF DEFERRAL; PAYMENT OF**
77.15 **DEFERRED TAXES.**

77.16 Subdivision 1. **Termination.** (a) The deferral of taxes granted under this chapter
77.17 terminates when one of the following occurs:

77.18 (1) the eligible property is sold or transferred to someone other than the primary
77.19 owner's spouse or a secondary owner;

77.20 (2) the death of the primary owner, or in the case of a married couple, after the
77.21 death of both spouses, provided that there is not a secondary owner eligible to become
77.22 the primary owner;

77.23 (3) the primary property owner notifies the commissioner, in writing, that all owners,
77.24 including any secondary property owners, desire to discontinue the deferral; or

77.25 (4) the eligible property no longer qualifies under section 290D.03.

77.26 (b) An eligible property is not terminated from the program because no deferred
77.27 property tax amount is determined for any given year after the eligible property's initial
77.28 enrollment into the program.

77.29 (c) An eligible property is not terminated from the program if the eligible property
77.30 subsequently becomes the homestead of one or more of the property owners and the
77.31 property and the owners qualify for, and are immediately enrolled in, the senior deferral
77.32 program under chapter 290B.

77.33 Subd. 2. **Payment upon termination.** Upon the termination of the deferral under
77.34 subdivision 1, the amount of deferred taxes, penalties, interest, and special assessments
77.35 and interest, plus the recording or filing fees under this subdivision and section 290D.04,

subdivision 2, becomes due and payable to the commissioner within 90 days of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (1) and (2), and within one year of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (3) and (4). No additional interest is due on the deferral if timely paid. On receipt of payment, the commissioner shall, within ten days, notify the auditor of the county in which the parcel is located, identifying the parcel to which the payment applies and shall remit the recording or filing fees under this subdivision and section 290D.04, subdivision 2, to the auditor. A notice of termination of deferral, containing the legal description and the recording or filing data for the notice of qualification for deferral under section 290D.04, subdivision 2, shall be prepared and recorded or filed by the county auditor in the same office in which the notice of qualification for deferral under section 290D.04, subdivision 2, was recorded or filed, and the county auditor shall mail a copy of the notice of termination to the property owner. The property owner shall pay the recording or filing fees. Upon recording or filing of the notice of termination of deferral, the notice of qualification for deferral under section 290D.04, subdivision 2, and the lien created by it are discharged. If the deferral is not timely paid, the penalty, interest, lien, forfeiture, and other rules for the collection of ad valorem property taxes apply.

EFFECTIVE DATE. This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 40. **[290D.08] STATE REIMBURSEMENT.**

Subdivision 1. **Determination; payment.** The county auditor shall determine the total current year's deferred amount of property tax under this chapter in the county, and submit those amounts as part of the abstracts of tax lists submitted by the county auditors under section 275.29. The commissioner may make changes in the abstracts of tax lists as deemed necessary. The commissioner, after such review, shall pay the deferred amount of property tax to each county treasurer on or before August 31.

The county treasurer shall distribute as part of the October settlement the funds received as if they had been collected as part of the property tax.

Subd. 2. **Appropriation.** An amount sufficient to pay the total amount of property tax determined under subdivision 1, plus any amounts paid under section 290D.04, subdivision 4, is annually appropriated from the general fund to the commissioner.

EFFECTIVE DATE. This section is effective for applications filed July 1, 2008, and thereafter.

Sec. 41. Minnesota Statutes 2006, section 298.75, is amended by adding a subdivision to read:

Subd. 11. **Tax may be imposed; Otter Tail County.** (a) If Otter Tail County does not impose a tax under this section and approves imposition of the tax under this subdivision, the town of Scambler in Otter Tail County may impose the aggregate materials tax under this section.

(b) For purposes of exercising the powers contained in this section, the "town" is deemed to be the "county."

(c) All provisions in this section apply to the town of Scambler, except that in lieu of the tax proceeds under subdivision 7, all proceeds of the tax must be retained by the town.

(d) If Otter Tail County imposes an aggregate materials tax under this section, the tax imposed by the town of Scambler under this subdivision is repealed on the effective date of the Otter Tail County tax.

EFFECTIVE DATE. This section is effective the day after the governing body of the town of Scambler and its chief clerical officer comply with section 645.021, subdivisions 2 and 3.

Sec. 42. Minnesota Statutes 2006, section 435.193, is amended to read:

**435.193 HARDSHIP ASSESSMENT DEFERRAL FOR SENIORS ~~OR~~,
DISABLED, OR MILITARY PERSONS.**

(a) Notwithstanding the provisions of any law to the contrary, any county, statutory or home rule charter city, or town, making a special assessment may, at its discretion, defer the payment of that assessment for any homestead property:

(1) owned by a person 65 years of age or older or retired by virtue of a permanent and total disability for whom it would be a hardship to make the payments; or

(2) owned by a person who is a member of the Minnesota National Guard or other military reserves who is ordered into active military service, as defined in section 190.05, subdivision 5b or 5c, as stated in the person's military orders, for whom it would be a hardship to make the payments.

(b) Any county, statutory or home rule charter city, or town electing to defer special assessments shall adopt an ordinance or resolution establishing standards and guidelines for determining the existence of a hardship and for determining the existence of a disability, but nothing herein shall be construed to prohibit the determination of hardship on the basis of exceptional and unusual circumstances not covered by the standards and

80.1 guidelines where the determination is made in a nondiscriminatory manner and does not
80.2 give the applicant an unreasonable preference or advantage over other applicants.

80.3 **EFFECTIVE DATE.** This section is effective the day following final enactment,
80.4 and applies to any special assessment for which payment is due on or after that date.

80.5 Sec. 43. Minnesota Statutes 2006, section 469.1813, subdivision 1a, is amended to
80.6 read:

80.7 Subd. 1a. **Use of term.** (a) As used in this section and sections 469.1814 and
80.8 469.1815, "abatement" includes a deferral of taxes with abatement of interest and penalties
80.9 unless the context indicates otherwise. The abatement may include delinquent taxes,
80.10 interest, and penalties.

80.11 (b) Computation of duration limits under this section must include each taxes
80.12 payable year for which delinquent taxes are abated.

80.13 **EFFECTIVE DATE.** This section is effective for abatements granted after
80.14 December 31, 2006.

80.15 Sec. 44. Minnesota Statutes 2006, section 473F.01, subdivision 2, is amended to read:

80.16 Subd. 2. **Use of proceeds.** ~~Except as provided in section 473F.08, subdivision 3a,~~
80.17 The proceeds from the areawide tax imposed under this chapter must be used by a local
80.18 governmental unit in the same manner and for the same purposes as the proceeds from
80.19 other ad valorem taxes levied by the local governmental unit.

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

80.22 Sec. 45. Minnesota Statutes 2006, section 473F.08, subdivision 5, is amended to read:

80.23 Subd. 5. **Areawide tax rate.** On or before August 25 of each year, the county auditor
80.24 shall certify to the administrative auditor that portion of the levy of each governmental
80.25 unit determined under subdivisions 3, clause (a), ~~3a,~~ and 3b. The administrative auditor
80.26 shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of
80.27 such levies from the areawide net tax capacity. On or before September 1 of each year, the
80.28 administrative auditor shall certify the areawide tax rate to each of the county auditors.

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

Sec. 46. Minnesota Statutes 2006, section 473F.08, subdivision 7a, is amended to read:

Subd. 7a. **Certification of values; payment.** The administrative auditor shall determine for each county the difference between the total levy on distribution value pursuant to subdivisions 3, clause (a), ~~3a~~, and 3b, within the county and the total tax on contribution value pursuant to subdivision 6, within the county. On or before May 16 of each year, the administrative auditor shall certify the differences so determined to each county auditor. In addition, the administrative auditor shall certify to those county auditors for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total levy on distribution value in the county. On or before June 15 and November 15 of each year, each county treasurer in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay one-half of the excess to the other counties in accordance with the administrative auditors certification.

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

Sec. 47. **FISCAL DISPARITIES STUDY.**

Subdivision 1. Study required. The commissioner of revenue shall conduct a study of the metropolitan revenue distribution program contained in Minnesota Statutes, chapter 473F, commonly known as the fiscal disparities program. On or before February 1, 2008, the commissioner shall make a report to the chairs of the house of representatives and senate tax committees consisting of the findings of the study and any recommendations resulting from the study.

The study must consider to what extent the program is meeting the following goals, and what changes could be made to the program in the furtherance of meeting those goals:

(1) reducing the extent to which the property tax encourages development patterns that do not make cost-effective use of public infrastructure or impose other high public costs;

(2) ensuring that the benefits of economic growth of the region are shared throughout the region, especially for growth that results from state and/or regional decisions;

(3) improving the ability of each jurisdiction within the region to deliver services at a level commensurate with its tax effort;

(4) compensating jurisdictions containing properties that provide regional benefits for the costs those properties impose on their host jurisdictions in excess of their tax payments;

82.1 (5) promoting a fair distribution of property tax burdens across jurisdictions of
82.2 the region; and

82.3 (6) reducing the economic losses that result from competition among communities
82.4 for commercial-industrial tax base.

82.5 Subd. 2. **Appropriation.** \$150,000 is appropriated to the commissioner of revenue
82.6 from the general fund in fiscal year 2008 to conduct the study required under subdivision 1.

82.7 **EFFECTIVE DATE.** This section is effective July 1, 2007.

82.8 Sec. 48. **IMPROVING PUBLIC AWARENESS AND PARTICIPATION IN**
82.9 **PROPERTY TAX RELIEF PROGRAMS.**

82.10 The commissioner of revenue, in consultation with county officials, shall undertake
82.11 to improve the public's awareness of and participation in property tax refund programs,
82.12 including the regular program for homeowners and renters and the additional property
82.13 tax refund program, the senior citizen's property tax deferral program, and the seasonal
82.14 recreational property tax deferral program.

82.15 The commissioner shall consider options for improving public awareness, including,
82.16 but not limited to:

82.17 (i) direct mailings to homeowners;

82.18 (ii) an insert in the property tax statement;

82.19 (iii) more prominent and direct references to the programs on the property tax
82.20 statement;

82.21 (iv) notification on the property tax statement envelopes or folders;

82.22 (v) public service announcements, including print, broadcast, and Internet; and

82.23 (vi) information and handouts at the truth in taxation hearings.

82.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

82.25 Sec. 49. **TRUTH IN TAXATION PROGRAM; COSTS AND PARTICIPATION**
82.26 **STUDY.**

82.27 The commissioner of revenue shall prepare a study of the costs of the truth in
82.28 taxation program under Minnesota Statutes, section 275.065, and the level of taxpayer
82.29 participation in the hearings required under Minnesota Statutes, section 275.065,
82.30 subdivision 6. In determining the costs, the commissioner shall ascertain the costs of
82.31 the preparation and mailing of the notice under Minnesota Statutes, section 275.065,
82.32 subdivision 3, the advertisement under Minnesota Statutes, section 275.065, subdivision
82.33 5a, and any costs associated with the hearings required under Minnesota Statutes, section

83.1 275.065, subdivision 6. The report must also make recommendations for ways to increase
83.2 taxpayer participation in the local government budget process, including but not limited to
83.3 the truth-in-taxation process. The report must be delivered by January 15, 2008, to the
83.4 legislature as provided for in Minnesota Statutes, section 3.195. The report must also be
83.5 provided to the chairs of the senate and house of representatives committees and divisions
83.6 with jurisdiction over property taxes.

83.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

83.8 Sec. 50. **REPEALER.**

83.9 Minnesota Statutes 2006, section 473F.08, subdivision 3a, is repealed.

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

83.12 **ARTICLE 5**
83.13 **LOCAL SALES TAXES**

83.14 Section 1. Minnesota Statutes 2006, section 297A.99, subdivision 1, is amended to
83.15 read:

83.16 Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may
83.17 impose a general sales tax if permitted by special law enacted prior to January 1, 2008, or
83.18 if the political subdivision enacted and imposed the tax before the effective date of section
83.19 477A.016 and its predecessor provision.

83.20 (b) This section governs the imposition of a general sales tax by the political
83.21 subdivision. The provisions of this section preempt the provisions of any special law:

83.22 (1) enacted before June 2, 1997, or

83.23 (2) enacted on or after June 2, 1997, that does not explicitly exempt the special law
83.24 provision from this section's rules by reference.

83.25 (c) This section does not apply to or preempt a sales tax on motor vehicles or a
83.26 special excise tax on motor vehicles.

83.27 (d) No political subdivision may use its funds to advertise, promote, or hold a
83.28 referendum to support imposing a general sales tax unless authorized by a special law
83.29 enacted prior to January 1, 2008.

83.30 (e) No political subdivision may seek the authority to impose a general sales tax
83.31 after January 1, 2008.

83.32 **EFFECTIVE DATE.** This section is effective the day following final enactment.

H.F. No. 3, 1st Committee Engrossment - 85th Legislative Session (2007-2008)

Sec. 2. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, and Laws 1998, chapter 389, article 8, section 25, and Laws 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on sales transactions which are described in Minnesota Statutes 2000, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under Laws 1998, chapter 389, article 8, section 26 at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions. When the city council determines that the taxes imposed under this subdivision at a rate of three-quarters of one percent and other sources of revenue produce revenue sufficient to pay debt service on bonds in the principal amount of \$37,931,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment and Convention Center, which include a new arena, the rate of tax under this subdivision must be reduced by three-quarters of one percent.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 3. Laws 2005, First Special Session chapter 3, article 5, section 39, is amended to read:

Sec. 39. CITY OF BEMIDJI.

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the general election held on November 5, 2002, and at the general election held November 7, 2006, the city of Bemidji may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

85.1 Subd. 2. **Use of revenues.** Revenues received from the tax authorized by
85.2 subdivision 1 must be used for the cost of collecting and administering the tax and to pay
85.3 for the projects listed in this subdivision:

85.4 (1) To pay all or part of the capital or administrative costs of the acquisition,
85.5 construction, and improvement of parks and trails within the city, as provided for in the
85.6 city of Bemidji's parks, open space, and trail system plan, adopted by the Bemidji City
85.7 Council on November 21, 2001. Authorized expenses include, but are not limited to,
85.8 acquiring property, paying construction expenses related to the development of these
85.9 facilities and improvements, and securing and paying debt service on bonds or other
85.10 obligations issued to finance acquisition, construction, improvement, or development of
85.11 parks and trails within the city of Bemidji.

85.12 (2) To pay all or part of the city's share of costs of up to \$50,000,000 plus any
85.13 associated bond costs, for acquisition, design, and construction of a regional event center.
85.14 Authorized expenses include, but are not limited to, acquiring property, paying demolition
85.15 and construction expenses, improving associated infrastructure, and purchasing furniture,
85.16 fixtures, and equipment for the regional event center, and securing and paying debt service
85.17 on bonds or other obligations issued to finance the regional event center project.

85.18 Subd. 3. **Bonds.** (a) Pursuant to the approval of the city voters at the general
85.19 election held on November 5, 2002, the city of Bemidji may issue, without an additional
85.20 election, general obligation bonds of the city in an amount not to exceed \$9,826,000 to
85.21 pay capital and administrative expenses for the acquisition, construction, improvement,
85.22 and development of parks and trails as specified in subdivision 2. The debt represented by
85.23 the bonds must not be included in computing any debt limitations applicable to the city,
85.24 and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal
85.25 of any interest on the bonds must not be subject to any levy limitations or be included in
85.26 computing or applying any levy limitation applicable to the city.

85.27 (b) Pursuant to the approval of the city voters at the general election held on
85.28 November 7, 2006, the city of Bemidji may issue, without an additional election, general
85.29 obligation bonds of the city in an amount not to exceed \$50,000,000 to pay capital and
85.30 administrative expenses for the acquisition, construction, improvement, and development
85.31 of the regional event center specified in subdivision 2. The debt represented by the bonds
85.32 must not be included in computing any debt limitations applicable to the city, and the levy
85.33 of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest
85.34 on the bonds must not be subject to any levy limitations or be included in computing or
85.35 applying any levy limitation applicable to the city.

Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires when the Bemidji City Council determines that the amount described in subdivision 3, paragraph (a), has been received from the tax to finance the capital and administrative costs for acquisition, construction, improvement, and development of parks and trails and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the park and trail improvements under subdivision 3, paragraph (a), plus the earlier of (1) 30 years, or (2) when the city council first determines that the additional revenues received from the extension of the tax equals or exceeds the amount authorized to be spent for the regional event center under subdivision 2, clause (2). Any funds remaining after completion of the ~~park and trail improvements~~ authorized projects and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Bemidji and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 4. **CITY OF CROOKSTON; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters at the next general election or a special election prior to December 31, 2008, the city of Crookston may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 2. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city to pay the cost of collecting the taxes and to pay all or part of the capital and administrative costs for the reconstruction of public facilities that need to be relocated in conjunction with the city's flood control project. Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these facilities and improvements, and paying debt service on bonds or other obligations issued to finance acquisition, development, and construction of these facilities and improvements. The total amount of revenues that the city may raise under subdivision 1 to finance these projects is limited to no more than \$10,000,000 plus any associated bond costs.

Subd. 3. **Bonding authority.** Pursuant to the approval of the city voters to impose the tax authorized under subdivision 1, the city may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$10,000,000 to pay

87.1 capital and administrative expenses for the projects described in subdivision 2. The debt
87.2 represented by the bonds is not included in computing any debt limitation applicable to the
87.3 city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of
87.4 and interest on the bonds is not subject to any levy limitation or be included in computing
87.5 or applying any levy limitation applicable to the city.

87.6 Subd. 4. **Termination of taxes.** The taxes imposed under subdivision 1 expire when
87.7 the Crookston city council determines that the amount of revenues received from the taxes
87.8 to finance the project described in subdivision 2 first equals or exceeds the amount spent
87.9 directly on the projects in subdivision 2, plus the additional amount needed to pay the
87.10 costs related to issuance of bonds under subdivision 3, including interest on the bonds.
87.11 Any funds remaining after completion of the project and retirement or redemption of the
87.12 bonds may be placed in the general fund of the city. The taxes imposed under subdivision
87.13 1 may expire at an earlier time if the city so determines by ordinance.

87.14 **EFFECTIVE DATE.** This section is effective the day after the governing body of
87.15 the city of Crookston and its chief clerical officer comply with Minnesota Statutes, section
87.16 645.021, subdivisions 2 and 3.

87.17 **Sec. 5. CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

87.18 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,
87.19 section 477A.016, or any other provision of law, ordinance, or city charter pursuant to
87.20 the approval of the voters on November 7, 2006, and pursuant to Minnesota Statutes,
87.21 section 297A.99, the city of North Mankato may impose by ordinance a sales and use tax
87.22 of one-half of one percent for the purposes specified in subdivision 2. The provisions of
87.23 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,
87.24 and enforcement of the taxes authorized under this subdivision.

87.25 Subd. 2. **Use of revenues.** Revenues received from the tax authorized by
87.26 subdivision 1 must be used to pay all or part of the capital costs of the following projects:

87.27 (1) the local share of the Trunk Highway 14/County State Aid Highway 41
87.28 interchange project;

87.29 (2) development of regional parks and hiking and biking trails;

87.30 (3) expansion of the North Mankato Taylor Library;

87.31 (4) riverfront redevelopment; and

87.32 (5) lake improvement projects.

87.33 The total amount of revenues from the tax in subdivision 1 that may be used to fund
87.34 these projects is \$6,000,000 plus any associated bond costs.

88.1 Subd. 3. **Bonds.** (a) The city of North Mankato, pursuant to the approval of the
88.2 voters at the November 7, 2006, referendum authorizing the imposition of the taxes in
88.3 this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and
88.4 administrative expenses for the projects described in subdivision 2, in an amount that
88.5 does not exceed \$6,000,000. A separate election to approve the bonds under Minnesota
88.6 Statutes, section 475.58, is not required.

88.7 (b) The debt represented by the bonds is not included in computing any debt
88.8 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
88.9 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

88.10 Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires
88.11 when the city council determines that the amount of revenues received from the taxes
88.12 to pay for the projects under subdivision 2 first equals or exceeds \$6,000,000 plus the
88.13 additional amount needed to pay the costs related to issuance of bonds under subdivision
88.14 3, including interest on the bonds. Any funds remaining after completion of the projects
88.15 and retirement or redemption of the bonds must be placed in a capital facilities and
88.16 equipment replacement fund of the city. The tax imposed under subdivision 1 may expire
88.17 at an earlier time if the city so determines by ordinance.

88.18 **EFFECTIVE DATE.** This section is effective the day after compliance by the
88.19 governing body of the city of North Mankato with Minnesota Statutes, section 645.021,
88.20 subdivision 3.