

This Document can be made available in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 1776

01/24/2012 Authored by Lenczewski, Marquart, Thissen, Champion, Slocum and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to property taxation; restoring the market value homestead credit;
1.3 amending Minnesota Statutes 2010, sections 126C.01, subdivision 3, as
1.4 amended; 273.13, subdivision 34, as amended; 273.1384, subdivisions 3, as
1.5 amended, 4, as amended; 273.1393, as amended; 276.04, subdivision 2, as
1.6 amended; 477A.011, subdivision 20, as amended; repealing Laws 2011, First
1.7 Special Session chapter 7, article 6, section 3.

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

1.9 Section 1. Minnesota Statutes 2010, section 126C.01, subdivision 3, as amended by
1.10 Laws 2011, First Special Session chapter 7, article 6, section 2, is amended to read:

1.11 Subd. 3. **Referendum market value.** "Referendum market value" means the market
1.12 value of all taxable property, excluding property classified as class 2, noncommercial
1.13 4c(1), or 4c(4) under section 273.13. The portion of class 2a property consisting of the
1.14 house, garage, and surrounding one acre of land of an agricultural homestead is included
1.15 in referendum market value. ~~For the purposes of this subdivision, in the case of class 1a,~~
1.16 ~~1b, or 2a property, "market value" means the value prior to the exclusion under section~~
1.17 ~~273.13, subdivision 35.~~ Any class of property, or any portion of a class of property, that is
1.18 included in the definition of referendum market value and that has a class rate of less than
1.19 one percent under section 273.13 shall have a referendum market value equal to its market
1.20 value times its class rate, multiplied by 100.

1.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
1.22 thereafter.

1.23 Sec. 2. Minnesota Statutes 2010, section 273.13, subdivision 34, as amended by Laws
1.24 2011, First Special Session chapter 7, article 5, section 8, is amended to read:

2.1 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a
2.2 portion of the market value of property owned by a veteran and serving as the veteran's
2.3 homestead under this section is excluded in determining the property's taxable market
2.4 value if the veteran has a service-connected disability of 70 percent or more as certified
2.5 by the United States Department of Veterans Affairs. To qualify for exclusion under this
2.6 subdivision, the veteran must have been honorably discharged from the United States
2.7 armed forces, as indicated by United States Government Form DD214 or other official
2.8 military discharge papers.

2.9 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is
2.10 excluded, except as provided in clause (2); and

2.11 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is
2.12 excluded.

2.13 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b),
2.14 clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the
2.15 spouse holds the legal or beneficial title to the homestead and permanently resides there,
2.16 the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes
2.17 payable year and for five additional taxes payable years or until such time as the spouse
2.18 remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first.
2.19 Qualification under this paragraph requires an annual application under paragraph (h).

2.20 (d) If the spouse of a member of any branch or unit of the United States armed
2.21 forces who dies due to a service-connected cause while serving honorably in active
2.22 service, as indicated on United States Government Form DD1300 or DD2064, holds
2.23 the legal or beneficial title to a homestead and permanently resides there, the spouse is
2.24 entitled to the benefit described in paragraph (b), clause (2), for five taxes payable years,
2.25 or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the
2.26 property, whichever comes first.

2.27 (e) If a veteran meets the disability criteria of paragraph (a) but does not own
2.28 property classified as homestead in the state of Minnesota, then the homestead of the
2.29 veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran
2.30 would otherwise qualify for under paragraph (b).

2.31 (f) In the case of an agricultural homestead, only the portion of the property
2.32 consisting of the house and garage and immediately surrounding one acre of land qualifies
2.33 for the valuation exclusion under this subdivision.

2.34 (g) A property qualifying for a valuation exclusion under this subdivision is not
2.35 eligible for the ~~market value exclusion under subdivision 35~~ credit under section 273.1384,
2.36 subdivision 1, or classification under subdivision 22, paragraph (b).

3.1 (h) To qualify for a valuation exclusion under this subdivision a property owner
 3.2 must apply to the assessor by July 1 of each assessment year, except that an annual
 3.3 reapplication is not required once a property has been accepted for a valuation exclusion
 3.4 under paragraph (a) and qualifies for the benefit described in paragraph (b), clause (2), and
 3.5 the property continues to qualify until there is a change in ownership. For an application
 3.6 received after July 1 of any calendar year, the exclusion shall become effective for the
 3.7 following assessment year.

3.8 (i) A first-time application by a qualifying spouse for the market value exclusion
 3.9 under paragraph (d) must be made any time within two years of the death of the service
 3.10 member.

3.11 (j) For purposes of this subdivision:

3.12 (1) "active service" has the meaning given in section 190.05;

3.13 (2) "own" means that the person's name is present as an owner on the property deed;

3.14 (3) "primary family caregiver" means a person who is approved by the secretary of
 3.15 the United States Department of Veterans Affairs for assistance as the primary provider
 3.16 of personal care services for an eligible veteran under the Program of Comprehensive
 3.17 Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G;
 3.18 and

3.19 (4) "veteran" has the meaning given the term in section 197.447.

3.20 (k) The purpose of this provision of law providing a level of homestead property tax
 3.21 relief for gravely disabled veterans, their primary family caregivers, and their surviving
 3.22 spouses is to help ease the burdens of war for those among our state's citizens who bear
 3.23 those burdens most heavily.

3.24 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
 3.25 thereafter.

3.26 Sec. 3. Minnesota Statutes 2010, section 273.1384, subdivision 3, as amended by Laws
 3.27 2011, First Special Session chapter 7, article 6, section 4, is amended to read:

3.28 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax
 3.29 reductions allowed under ~~subdivision 2~~ this section within the county for each taxes
 3.30 payable year and shall certify that amount to the commissioner of revenue as a part of the
 3.31 abstracts of tax lists submitted by the county auditors under section 275.29. Any prior
 3.32 year adjustments shall also be certified on the abstracts of tax lists. The commissioner
 3.33 shall review the certifications for accuracy, and may make such changes as are deemed
 3.34 necessary, or return the certification to the county auditor for correction. The ~~credit~~ credits

4.1 under this section must be used to proportionately reduce the net tax capacity-based
4.2 property tax payable to each local taxing jurisdiction as provided in section 273.1393.

4.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
4.4 thereafter.

4.5 Sec. 4. Minnesota Statutes 2010, section 273.1384, subdivision 4, as amended by Laws
4.6 2011, First Special Session chapter 7, article 6, section 5, is amended to read:

4.7 Subd. 4. **Payment.** (a) The commissioner of revenue shall reimburse each local
4.8 taxing jurisdiction, other than school districts, for the tax reductions granted under
4.9 ~~subdivision 2~~ this section in two equal installments on October 31 and December 26 of
4.10 the taxes payable year for which the reductions are granted, including in each payment
4.11 the prior year adjustments certified on the abstracts for that taxes payable year. The
4.12 reimbursements related to tax increments shall be issued in one installment each year on
4.13 December 26.

4.14 (b) The commissioner of revenue shall certify the total of the tax reductions granted
4.15 under ~~subdivision 2~~ this section for each taxes payable year within each school district to
4.16 the commissioner of the Department of Education and the commissioner of education shall
4.17 pay the reimbursement amounts to each school district as provided in section 273.1392.

4.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
4.19 thereafter.

4.20 Sec. 5. Minnesota Statutes 2010, section 273.1393, as amended by Laws 2011, First
4.21 Special Session chapter 7, article 6, section 6, is amended to read:

4.22 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

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

- 4.25 (1) disaster credit as provided in sections 273.1231 to 273.1235;
- 4.26 (2) powerline credit as provided in section 273.42;
- 4.27 (3) agricultural preserves credit as provided in section 473H.10;
- 4.28 (4) enterprise zone credit as provided in section 469.171;
- 4.29 (5) disparity reduction credit;
- 4.30 (6) conservation tax credit as provided in section 273.119;
- 4.31 (7) homestead and agricultural credit credits as provided in section 273.1384;
- 4.32 (8) taconite homestead credit as provided in section 273.135;
- 4.33 (9) supplemental homestead credit as provided in section 273.1391; and

- 5.1 (10) the bovine tuberculosis zone credit, as provided in section 273.113.
5.2 The combination of all property tax credits must not exceed the gross tax amount.

5.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
5.4 thereafter.

5.5 Sec. 6. Minnesota Statutes 2010, section 276.04, subdivision 2, as amended by Laws
5.6 2011, First Special Session chapter 7, article 6, section 7, is amended to read:

5.7 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the
5.8 printing of the tax statements. The commissioner of revenue shall prescribe the form of
5.9 the property tax statement and its contents. The tax statement must not state or imply
5.10 that property tax credits are paid by the state of Minnesota. The statement must contain
5.11 a tabulated statement of the dollar amount due to each taxing authority and the amount
5.12 of the state tax from the parcel of real property for which a particular tax statement is
5.13 prepared. The dollar amounts attributable to the county, the state tax, the voter approved
5.14 school tax, the other local school tax, the township or municipality, and the total of
5.15 the metropolitan special taxing districts as defined in section 275.065, subdivision 3,
5.16 paragraph (i), must be separately stated. The amounts due all other special taxing districts,
5.17 if any, may be aggregated except that any levies made by the regional rail authorities in the
5.18 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
5.19 398A shall be listed on a separate line directly under the appropriate county's levy. If the
5.20 county levy under this paragraph includes an amount for a lake improvement district as
5.21 defined under sections 103B.501 to 103B.581, the amount attributable for that purpose
5.22 must be separately stated from the remaining county levy amount. In the case of Ramsey
5.23 County, if the county levy under this paragraph includes an amount for public library
5.24 service under section 134.07, the amount attributable for that purpose may be separated
5.25 from the remaining county levy amount. The amount of the tax on homesteads qualifying
5.26 under the senior citizens' property tax deferral program under chapter 290B is the total
5.27 amount of property tax before subtraction of the deferred property tax amount. The
5.28 amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any,
5.29 must also be separately stated. The dollar amounts, including the dollar amount of any
5.30 special assessments, may be rounded to the nearest even whole dollar. For purposes of this
5.31 section whole odd-numbered dollars may be adjusted to the next higher even-numbered
5.32 dollar. The amount of market value excluded under section 273.11, subdivision 16, if any,
5.33 must also be listed on the tax statement.

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

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

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

6.9 ~~(2) the property's homestead market value exclusion under section 273.13,~~
 6.10 ~~subdivision 35;~~

6.11 ~~(3)~~ (3) the property's taxable market value after reductions under ~~sections~~ section
 6.12 273.11, subdivisions 1a and 16, ~~and 273.13, subdivision 35;~~

6.13 ~~(4)~~ (3) the property's gross tax, before credits;

6.14 ~~(5)~~ (4) for homestead residential and agricultural properties, the ~~credit~~ credits under
 6.15 section 273.1384;

6.16 ~~(6)~~ (5) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
 6.17 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of
 6.18 credit received under section 273.135 must be separately stated and identified as "taconite
 6.19 tax relief"; and

6.20 ~~(7)~~ (6) the net tax payable in the manner required in paragraph (a).

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

6.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
 6.30 thereafter.

6.31 Sec. 7. Minnesota Statutes 2010, section 477A.011, subdivision 20, as amended by
 6.32 Laws 2011, First Special Session chapter 7, article 6, section 14, is amended to read:

6.33 Subd. 20. **City net tax capacity.** "City net tax capacity" means (1) the net tax
 6.34 capacity computed using the net tax capacity rates in section 273.13 for taxes payable
 6.35 in the year of the aid distribution, and the market values, ~~after the exclusion in section~~

7.1 ~~273.13, subdivision 35~~, for taxes payable in the year prior to the aid distribution plus (2)
7.2 a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2,
7.3 paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior
7.4 to that for which aids are being calculated. The market value utilized in computing city
7.5 net tax capacity shall be reduced by the sum of (1) a city's market value of commercial
7.6 industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3,
7.7 multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph
7.8 (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value
7.9 of tax increment financing districts as defined in section 469.177, subdivision 2, and (3)
7.10 the market value of transmission lines deducted from a city's total net tax capacity under
7.11 section 273.425. The city net tax capacity will be computed using equalized market values.

7.12 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
7.13 2013 and thereafter.

7.14 Sec. 8. **REPEALER.**

7.15 Laws 2011, First Special Session chapter 7, article 6, section 3, is repealed, and
7.16 pursuant to Minnesota Statutes, section 645.36, Minnesota Statutes 2010, section
7.17 273.1384, subdivision 1, is revived.

7.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
7.19 thereafter.

APPENDIX
Repealed Minnesota Session Laws: 12-3813

Laws 2011, First Special Session chapter 7, article 6, section 3

Sec. 3. Minnesota Statutes 2010, section 273.13, is amended by adding a subdivision to read:

Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's net tax capacity under this section, property classified as class 1a or 1b under subdivision 22, and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion as determined under paragraph (b).

(b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero.

(c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior to determining the amount of the valuation exclusion under this subdivision.

(d) In the case of a property that is classified as part homestead and part nonhomestead, (i) the exclusion 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 exclusion 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.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.