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STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 2031

(SENATE AUTHORS: EKEN)

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04/09/2015	1504	Introduction and first reading Referred to Taxes

A bill for an act
relating to taxation; property; increasing the agricultural market value credit
and extending it to nonhomestead agricultural properties; amending Minnesota
Statutes 2014, sections 273.1384, subdivision 2; 273.1392; 275.065, subdivision
3; 276.04, subdivision 2; 469.175, subdivision 6.

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

Section 1. Minnesota Statutes 2014, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** (a) Property classified as
agricultural homestead under section 273.13, subdivision 23, paragraph (a), is eligible
for an agricultural credit. The credit is computed using the property's agricultural credit
market value, defined for this purpose as the property's market value excluding the market
value of the house, garage, and immediately surrounding one acre of land. The credit is
equal to 0.3 percent of the first \$115,000 of the property's agricultural credit market value
plus 0.1 percent of the property's agricultural credit market value in excess of \$115,000;
~~subject to a maximum credit of \$490~~ up to the first tier valuation limit specified in section
273.11, subdivision 23. In the case of property that is classified as part homestead and part
nonhomestead solely because not all the owners occupy or farm the property, not all the
owners have qualifying relatives occupying or farming the property, or solely because not
all the spouses of owners occupy the property, the credit must be initially computed as if
that nonhomestead agricultural land was also classified as agricultural homestead and then
prorated to the owner-occupant's percentage of ownership.

(b) Property classified under section 273.13, subdivision 23, as nonhomestead class
2a or 2b, or that is classified as homestead class 2a or 2b in excess of the first tier valuation
limit specified in section 273.11, subdivision 23, is eligible for an agricultural credit equal
to 0.05 percent of the property's market value.

2.1 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

2.2 Sec. 2. Minnesota Statutes 2014, section 273.1392, is amended to read:

2.3 **273.1392 PAYMENT; SCHOOL DISTRICTS.**

2.4 The amounts of bovine tuberculosis credit reimbursements under section 273.113;
2.5 conservation tax credits under section 273.119; disaster or emergency reimbursement
2.6 under sections 273.1231 to 273.1235; ~~homestead~~ and agricultural credits under section
2.7 273.1384; aids and credits under section 273.1398; enterprise zone property credit
2.8 payments under section 469.171; and metropolitan agricultural preserve reduction under
2.9 section 473H.10 for school districts, shall be certified to the Department of Education by
2.10 the Department of Revenue. The amounts so certified shall be paid according to section
2.11 127A.45, subdivisions 9 and 13.

2.12 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

2.13 Sec. 3. Minnesota Statutes 2014, section 275.065, subdivision 3, is amended to read:

2.14 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare
2.15 and the county treasurer shall deliver after November 10 and on or before November 24
2.16 each year, by first class mail to each taxpayer at the address listed on the county's current
2.17 year's assessment roll, a notice of proposed property taxes. Upon written request by
2.18 the taxpayer, the treasurer may send the notice in electronic form or by electronic mail
2.19 instead of on paper or by ordinary mail.

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

2.21 (c) The notice must inform taxpayers that it contains the amount of property taxes
2.22 each taxing authority proposes to collect for taxes payable the following year. In the case of
2.23 a town, or in the case of the state general tax, the final tax amount will be its proposed tax.
2.24 The notice must clearly state for each city that has a population over 500, county, school
2.25 district, regional library authority established under section 134.201, and metropolitan
2.26 taxing districts as defined in paragraph (i), the time and place of a meeting for each taxing
2.27 authority in which the budget and levy will be discussed and public input allowed, prior to
2.28 the final budget and levy determination. The taxing authorities must provide the county
2.29 auditor with the information to be included in the notice on or before the time it certifies
2.30 its proposed levy under subdivision 1. The public must be allowed to speak at that
2.31 meeting, which must occur after November 24 and must not be held before 6:00 p.m. It
2.32 must provide a telephone number for the taxing authority that taxpayers may call if they
2.33 have questions related to the notice and an address where comments will be received by

mail, except that no notice required under this section shall be interpreted as requiring the printing of a personal telephone number or address as the contact information for a taxing authority. If a taxing authority does not maintain public offices where telephone calls can be received by the authority, the authority may inform the county of the lack of a public telephone number and the county shall not list a telephone number for that taxing authority.

(d) The notice must state for each parcel:

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

(2) the items listed below, shown separately by county, city or town, and state general tax, agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

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

(ii) the proposed tax amount.

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

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

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

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

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

(1) special assessments;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Metropolitan Mosquito Control Commission under section 473.711.

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

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

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

(2) population growth and decline;

(3) state or federal government action; and

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

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

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 4. Minnesota Statutes 2014, 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 tax statement must not state or imply that property tax credits are paid by the state of Minnesota. 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 homestead market value exclusion under section 273.13, subdivision 35;
- (3) the property's taxable market value under section 272.03, subdivision 15;
- (4) the property's gross tax, before credits;
- (5) for homestead agricultural properties, the credit under section 273.1384;
- (6) any credits received under sections 273.119; 273.1234 or 273.1235; 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.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016.

Sec. 5. Minnesota Statutes 2014, section 469.175, subdivision 6, is amended to read:

Subd. 6. **Annual financial reporting.** (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

(1) provide for full disclosure of the sources and uses of tax increments of the district;

(2) permit comparison and reconciliation with the affected local government's accounts and financial reports;

(3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;

(4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county auditor and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a). The authority must submit the annual report for a year on or before August 1 of the next year.

(c) The annual financial report must also include the following items:

- (1) the original net tax capacity of the district and any subdistrict under section 469.177, subdivision 1;
- (2) the net tax capacity for the reporting period of the district and any subdistrict;
- (3) the captured net tax capacity of the district;
- (4) any fiscal disparity deduction from the captured net tax capacity under section 469.177, subdivision 3;
- (5) the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1);
- (6) any captured net tax capacity distributed among affected taxing districts under section 469.177, subdivision 2, paragraph (a), clause (2);
- (7) the type of district;
- (8) the date the municipality approved the tax increment financing plan and the date of approval of any modification of the tax increment financing plan, the approval of which requires notice, discussion, a public hearing, and findings under subdivision 4, paragraph (a);
- (9) the date the authority first requested certification of the original net tax capacity of the district and the date of the request for certification regarding any parcel added to the district;
- (10) the date the county auditor first certified the original net tax capacity of the district and the date of certification of the original net tax capacity of any parcel added to the district;
- (11) the month and year in which the authority has received or anticipates it will receive the first increment from the district;
- (12) the date the district must be decertified;
- (13) for the reporting period and prior years of the district, the actual amount received from, at least, the following categories:
- (i) tax increments paid by the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1), but excluding any excess taxes;
- (ii) tax increments that are interest or other investment earnings on or from tax increments;
- (iii) tax increments that are proceeds from the sale or lease of property, tangible or intangible, purchased by the authority with tax increments;
- (iv) tax increments that are repayments of loans or other advances made by the authority with tax increments;
- (v) bond proceeds; and

(vi) the agricultural ~~homestead market value credit~~ credits paid to the authority under section 273.1384;

(14) for the reporting period and for the prior years of the district, the actual amount expended for, at least, the following categories:

(i) acquisition of land and buildings through condemnation or purchase;

(ii) site improvements or preparation costs;

(iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;

(iv) administrative costs, including the allocated cost of the authority; and

(v) for housing districts, construction of affordable housing;

(15) the amount of any payments for activities and improvements located outside of the district that are paid for or financed with tax increments;

(16) the amount of payments of principal and interest that are made during the reporting period on any nondefeased:

(i) general obligation tax increment financing bonds; and

(ii) other tax increment financing bonds, including pay-as-you-go contracts and notes;

(17) the principal amount, at the end of the reporting period, of any nondefeased:

(i) general obligation tax increment financing bonds; and

(ii) other tax increment financing bonds, including pay-as-you-go contracts and notes;

(18) the amount of principal and interest payments that are due for the current calendar year on any nondefeased:

(i) general obligation tax increment financing bonds; and

(ii) other tax increment financing bonds, including pay-as-you-go contracts and notes;

(19) if the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the amount of total increased property taxes to be paid from outside the tax increment financing district; and

(20) any additional information the state auditor may require.

(d) The reporting requirements imposed by this subdivision apply to districts certified before, on, and after August 1, 1979.

EFFECTIVE DATE. This section is effective for tax increment financing reports due after December 31, 2015.