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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 712

02/04/2021 Authored by Sandell, Howard and Agbaje
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; implementing a tax on capital gain net income; imposing a
1.3 tax on unrecognized capital gains at death; modifying certain levy-aid education
1.4 programs; providing for a state referendum replacement levy; amending Minnesota
1.5 Statutes 2020, sections 124E.20, subdivision 1; 125A.76, subdivisions 1, 2e;
1.6 126C.10, subdivisions 1, 2, 31; 126C.13, subdivision 4; 289A.08, subdivision 1;
1.7 289A.19, by adding a subdivision; proposing coding for new law in Minnesota
1.8 Statutes, chapters 275; 290; repealing Minnesota Statutes 2020, sections 126C.10,
1.9 subdivisions 2e, 24, 25, 26, 27, 28, 29, 30, 32, 33; 126C.17, subdivisions 1, 2, 3,
1.10 4, 5, 6, 7, 7a, 7b, 8, 9, 10, 11.

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

1.12 Section 1. Minnesota Statutes 2020, section 124E.20, subdivision 1, is amended to read:

1.13 Subdivision 1. Revenue calculation. (a) General education revenue must be paid to a
1.14 charter school as though it were a district. The general education revenue for each adjusted
1.15 pupil unit is the state average general education revenue per pupil unit, plus the referendum
1.16 equalization aid allowance and first tier local optional aid allowance in the pupil's district
1.17 of residence, minus an amount equal to the product of the formula allowance according to
1.18 section 126C.10, subdivision 2, times .0466, calculated without declining enrollment revenue,
1.19 local optional revenue, basic skills revenue, extended time revenue, pension adjustment
1.20 revenue, transition revenue, and transportation sparsity revenue, plus declining enrollment
1.21 revenue, basic skills revenue, pension adjustment revenue, and transition revenue as though
1.22 the school were a school district.

1.23 (b) For a charter school operating an extended day, extended week, or summer program,
1.24 the general education revenue in paragraph (a) is increased by an amount equal to 25 percent
1.25 of the statewide average extended time revenue per adjusted pupil unit.

2.1 (c) Notwithstanding paragraph (a), the general education revenue for an eligible special
 2.2 education charter school as defined in section 124E.21, subdivision 2, equals the sum of
 2.3 the amount determined under paragraph (a) and the school's unreimbursed cost as defined
 2.4 in section 124E.21, subdivision 2, for educating students not eligible for special education
 2.5 services.

2.6 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

2.7 Sec. 2. Minnesota Statutes 2020, section 125A.76, subdivision 1, is amended to read:

2.8 Subdivision 1. **Definitions.** (a) For the purposes of this section and section 125A.79,
 2.9 the definitions in this subdivision apply.

2.10 (b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the
 2.11 purposes of computing basic revenue pursuant to this section, each child with a disability
 2.12 shall be counted as prescribed in section 126C.05, subdivision 1.

2.13 (c) "Essential personnel" means teachers, cultural liaisons, related services, and support
 2.14 services staff providing services to students. Essential personnel may also include special
 2.15 education paraprofessionals or clericals providing support to teachers and students by
 2.16 preparing paperwork and making arrangements related to special education compliance
 2.17 requirements, including parent meetings and individualized education programs. Essential
 2.18 personnel does not include administrators and supervisors.

2.19 (d) "Average daily membership" has the meaning given it in section 126C.05.

2.20 (e) "Program growth factor" means 1.046 for fiscal year 2017, and the product of 1.046
 2.21 and the program growth factor for the previous year for fiscal year 2018 and later.

2.22 (f) "Nonfederal special education expenditure" means all direct expenditures that are
 2.23 necessary and essential to meet the district's obligation to provide special instruction and
 2.24 services to children with a disability according to sections 124D.454, 125A.03 to 125A.24,
 2.25 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the
 2.26 department under section 125A.75, subdivision 4, excluding expenditures:

2.27 (1) reimbursed with federal funds;

2.28 (2) reimbursed with other state aids under this chapter;

2.29 (3) for general education costs of serving students with a disability;

2.30 (4) for facilities;

2.31 (5) for pupil transportation; and

3.1 (6) for postemployment benefits.

3.2 (g) "Old formula special education expenditures" means expenditures eligible for revenue
3.3 under Minnesota Statutes 2012, section 125A.76, subdivision 2.

3.4 (h) For the Minnesota State Academy for the Deaf and the Minnesota State Academy
3.5 for the Blind, expenditures under paragraphs (f) and (g) are limited to the salary and fringe
3.6 benefits of one-to-one instructional and behavior management aides and one-to-one licensed,
3.7 certified professionals assigned to a child attending the academy, if the aides or professionals
3.8 are required by the child's individualized education program.

3.9 (i) "Special education aid increase limit" means \$80 for fiscal year 2016, \$100 for fiscal
3.10 year 2017, and, for fiscal years 2018 through 2020, the sum of the special education aid
3.11 increase limit for the previous fiscal year and \$40.

3.12 (j) "District" means a school district, a charter school, or a cooperative unit as defined
3.13 in section 123A.24, subdivision 2. Notwithstanding section 123A.26, cooperative units as
3.14 defined in section 123A.24, subdivision 2, are eligible to receive special education aid under
3.15 this section and section 125A.79.

3.16 (k) "Initial special education cross subsidy" means the greater of zero or:

3.17 (1) the nonfederal special education expenditure under paragraph (f); plus

3.18 (2) the cost of providing transportation services for pupils with disabilities under section
3.19 123B.92, subdivision 1, paragraph (b), clause (4); minus

3.20 (3) the special education aid under subdivision 2c and sections 125A.11, subdivision 1,
3.21 and 127A.47, subdivision 7; minus

3.22 (4) the amount of general education revenue, ~~excluding local optional revenue, plus~~
3.23 ~~local optional aid and referendum equalization aid~~ attributable to pupils receiving special
3.24 instruction and services outside the regular classroom for more than 60 percent of the school
3.25 day for the portion of time the pupils receive special instruction and services outside the
3.26 regular classroom, excluding portions attributable to district and school administration,
3.27 district support services, operations and maintenance, capital expenditures, and pupil
3.28 transportation.

3.29 (l) The "minimum aid adjustment multiplier" for fiscal year 2020 equals 1.046. For fiscal
3.30 year 2021 and later, the minimum aid adjustment multiplier equals the greater of 1.02 or
3.31 the minimum aid adjustment multiplier for the previous year minus 0.002.

4.1 (m) The "minimum aid adjustment factor" for fiscal year 2020 equals the program growth
 4.2 factor for fiscal year 2020. For fiscal year 2021 and later, the minimum aid adjustment factor
 4.3 equals the product of the minimum aid adjustment factor for the previous fiscal year and
 4.4 the minimum aid adjustment multiplier.

4.5 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

4.6 Sec. 3. Minnesota Statutes 2020, section 125A.76, subdivision 2e, is amended to read:

4.7 Subd. 2e. **Cross subsidy reduction aid.** ~~(a)~~ A school district's annual cross subsidy
 4.8 reduction aid equals the school district's initial special education cross subsidy for the
 4.9 previous fiscal year times ~~the cross subsidy aid factor for that fiscal year~~ 0.9.

4.10 ~~(b) The cross subsidy aid factor equals 2.6 percent for fiscal year 2020 and 6.43 percent~~
 4.11 ~~for fiscal year 2021 and later.~~

4.12 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

4.13 Sec. 4. Minnesota Statutes 2020, section 126C.10, subdivision 1, is amended to read:

4.14 Subdivision 1. **General education revenue.** The general education revenue for each
 4.15 district equals the sum of the district's basic revenue, extended time revenue, gifted and
 4.16 talented revenue, declining enrollment revenue, ~~local optional revenue~~, small schools
 4.17 revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity revenue,
 4.18 transportation sparsity revenue, total operating capital revenue, ~~equity revenue~~, pension
 4.19 adjustment revenue, and transition revenue.

4.20 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

4.21 Sec. 5. Minnesota Statutes 2020, section 126C.10, subdivision 2, is amended to read:

4.22 Subd. 2. **Basic revenue.** (a) The basic revenue for each district equals the formula
 4.23 allowance times the adjusted pupil units for the school year. ~~The formula allowance for~~
 4.24 ~~fiscal year 2019 is \$6,312. The formula allowance for fiscal year 2020 is \$6,438.~~

4.25 (b) The formula allowance for fiscal ~~year~~ years 2021 and 2022 is \$6,567. The formula
 4.26 allowance for fiscal year 2023 and later is \$6,567 \$7,567.

4.27 (c) For fiscal year 2024 and later, the formula allowance equals the formula allowance
 4.28 for fiscal year 2023 times the inflationary increase for that year.

5.1 (d) For purposes of this subdivision, "inflationary increase" means one plus the percentage
 5.2 change in the Consumer Price Index for urban consumers, as prepared by the United States
 5.3 Bureau of Labor Standards, from the current fiscal year to fiscal year 2023.

5.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

5.5 Sec. 6. Minnesota Statutes 2020, section 126C.10, subdivision 31, is amended to read:

5.6 Subd. 31. **Transition revenue.** (a) A district's transition allowance equals the ~~sum of~~
 5.7 ~~the district's transition revenue the district would have received for fiscal year 2015~~ 2022
 5.8 ~~under Minnesota Statutes 2012~~ 2020, section 126C.10, subdivisions 31, 31a, and 31c, ~~and~~
 5.9 ~~the greater of zero or the difference between:~~

5.10 ~~(1) the sum of:~~

5.11 ~~(i) the general education revenue the district would have received for fiscal year 2015~~
 5.12 ~~according to Minnesota Statutes 2012, section 126C.10;~~

5.13 ~~(ii) the integration revenue the district received for fiscal year 2013 under Minnesota~~
 5.14 ~~Statutes 2012, section 124D.86;~~

5.15 ~~(iii) the pension adjustment the district would have received for fiscal year 2015 under~~
 5.16 ~~Minnesota Statutes 2012, section 127A.50;~~

5.17 ~~(iv) the special education aid the district would have received for fiscal year 2015 under~~
 5.18 ~~Minnesota Statutes 2012, section 125A.76; and~~

5.19 ~~(v) the special education excess cost aid the district would have received for fiscal year~~
 5.20 ~~2015 under Minnesota Statutes 2012, section 125A.79; and~~

5.21 ~~(2) the sum of the district's:~~

5.22 ~~(i) general education revenue for fiscal year 2015 excluding transition revenue under~~
 5.23 ~~this section;~~

5.24 ~~(ii) achievement and integration revenue for fiscal year 2015 under section 124D.862;~~

5.25 ~~(iii) special education aid for fiscal year 2015 under section 125A.76; and~~

5.26 ~~(iv) alternative teacher compensation revenue for fiscal year 2015 under section~~
 5.27 ~~122A.415;~~

5.28 ~~divided by the number of district's adjusted pupil units for fiscal year 2015~~ 2022.

5.29 (b) A district's transition revenue for fiscal year ~~2015~~ 2023 and later equals the sum of:

6.1 (1) the product of the district's transition allowance times the district's adjusted pupil
 6.2 units; and

6.3 (2) the greater of zero, or the product of the district's adjusted pupil units for that year
 6.4 and the difference between the district's referendum allowance for fiscal year 2022 and the
 6.5 statewide referendum allowance cap under Minnesota Statutes 2020, section 126C.17,
 6.6 subdivision 2.

6.7 **EFFECTIVE DATE.** This section is effective for fiscal year 2023 and later.

6.8 Sec. 7. Minnesota Statutes 2020, section 126C.13, subdivision 4, is amended to read:

6.9 Subd. 4. **General education aid.** ~~For fiscal year 2015 and later,~~ A district's general
 6.10 education aid equals the sum of:

6.11 (1) general education revenue, excluding operating capital revenue, ~~equity revenue, local~~
 6.12 ~~optional revenue, and transition revenue, minus the student achievement levy, multiplied~~
 6.13 ~~times the ratio of the actual amount of student achievement levy levied to the permitted~~
 6.14 ~~student achievement levy; plus;~~

6.15 (2) operating capital aid under section 126C.10, subdivision 13b;

6.16 ~~(3) equity aid under section 126C.10, subdivision 30; plus~~

6.17 ~~(4) transition aid under section 126C.10, subdivision 33; plus~~

6.18 ~~(5)~~ (3) shared time aid under section 126C.01, subdivision 7; plus and

6.19 ~~(6) referendum aid under section 126C.17, subdivisions 7 and 7a; plus~~

6.20 ~~(7)~~ (4) online learning aid under section 124D.096; plus.

6.21 ~~(8) local optional aid according to section 126C.10, subdivision 2e, paragraph (e).~~

6.22 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

6.23 Sec. 8. **[275.045] STATE REFERENDUM REPLACEMENT TAX.**

6.24 Subdivision 1. Levy amount. (a) The state referendum replacement levy is equal to the
 6.25 sum of each jurisdiction's referendum tax rate, as defined in section 275.08, subdivision 1b,
 6.26 paragraph (c), for taxes payable in 2021, times the jurisdiction's commercial-industrial
 6.27 referendum market value as assessed in the previous year.

6.28 (b) The commissioner shall increase or decrease each jurisdiction's preliminary or final
 6.29 rate for a year as necessary to account for errors and tax base changes that affected a
 6.30 preliminary or final rate for either of the two preceding years. Adjustments are allowed to

7.1 the extent that the necessary information is available to the commissioner at the time the
 7.2 rates and levy for a year must be certified and for the following reasons:

7.3 (1) an erroneous report of taxable value by a local official;

7.4 (2) an erroneous calculation by the commissioner; and

7.5 (3) an increase or decrease in taxable value for commercial-industrial property reported
 7.6 to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

7.7 (c) The commissioner may, but need not, make adjustments if the total difference in the
 7.8 tax levied for the year would be less than \$100,000.

7.9 Subd. 2. **Commercial-industrial referendum market value.** For the purposes of this
 7.10 section, "commercial-industrial referendum market value" means the referendum market
 7.11 value of all taxable property classified as class 3 or class 5(1) under section 273.13, excluding
 7.12 the first \$100,000 of market value of each parcel of commercial-industrial property as
 7.13 defined under section 273.13, subdivision 24, clauses (1) and (2).

7.14 Subd. 3. **Apportionment and levy of state referendum replacement tax.** The state
 7.15 referendum replacement tax must be levied by applying each jurisdiction's referendum
 7.16 market value rate for taxes payable in 2021, plus any adjustments to this rate under
 7.17 subdivision 1, to the jurisdiction's current commercial-industrial referendum market value
 7.18 as assessed in the previous year. On or before October 1 each year, the commissioner of
 7.19 revenue must certify each jurisdiction's preliminary state referendum replacement rate to
 7.20 each county auditor that must be used to prepare the notices of proposed property taxes for
 7.21 taxes payable in the following year. By January 1 each year, the commissioner must certify
 7.22 the final state referendum replacement rates to each county auditor that must be used in
 7.23 spreading taxes.

7.24 **EFFECTIVE DATE.** This section is effective beginning with property taxes payable
 7.25 in 2022.

7.26 Sec. 9. Minnesota Statutes 2020, section 289A.08, subdivision 1, is amended to read:

7.27 Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable
 7.28 year the taxpayer is required to file a return under section 6012 of the Internal Revenue
 7.29 Code or meets the requirements under paragraph (d) to file a return, except that:

7.30 (1) an individual who is not a Minnesota resident for any part of the year is not required
 7.31 to file a Minnesota income tax return if the individual's gross income derived from Minnesota

8.1 sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the
8.2 filing requirements for a single individual who is a full year resident of Minnesota;

8.3 (2) an individual who is a Minnesota resident is not required to file a Minnesota income
8.4 tax return if the individual's gross income derived from Minnesota sources as determined
8.5 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions
8.6 12 and 15, is less than the filing requirements for a single individual who is a full-year
8.7 resident of Minnesota.

8.8 (b) The decedent's final income tax return, and other income tax returns for prior years
8.9 where the decedent had gross income in excess of the minimum amount at which an
8.10 individual is required to file and did not file, must be filed by the decedent's personal
8.11 representative, if any. If there is no personal representative, the return or returns must be
8.12 filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property
8.13 of the decedent.

8.14 (c) The term "gross income," as it is used in this section, has the same meaning given it
8.15 in section 290.01, subdivision 20.

8.16 (d) The commissioner of revenue must annually determine the gross income levels at
8.17 which individuals are required to file a return for each taxable year based on the amounts
8.18 allowed as a deduction under section 290.0123.

8.19 (e) The filing requirement under this subdivision applies to the additional tax on capital
8.20 gain net income imposed under section 290.055, subdivision 2, and the tax on nontaxed
8.21 capital gains under section 290.055, subdivision 3.

8.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.23 31, 2020.

8.24 Sec. 10. Minnesota Statutes 2020, section 289A.19, is amended by adding a subdivision
8.25 to read:

8.26 Subd. 8. **Nontaxed capital gains returns.** The commissioner must grant an automatic
8.27 extension of 275 days to file a nontaxed capital gains return described under section 289A.08,
8.28 subdivision 1, paragraph (e). Where good cause exists, the commissioner may grant an
8.29 extension of an additional 180 days for filing this return.

8.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.31 31, 2020.

9.1 **Sec. 11. [290.055] TAX ON CAPITAL GAIN NET INCOME.**

9.2 **Subdivision 1. Definitions.** (a) For purposes of this section, the following terms have
 9.3 the meanings given.

9.4 (b) "Federal gross estate" means the gross estate of a decedent as required to be valued
 9.5 and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

9.6 (c) "Nontaxed capital asset" means a capital asset as defined in section 1221(a) of the
 9.7 Internal Revenue Code, but does not include property classified as class 2a property under
 9.8 section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural
 9.9 relative homestead, or special agricultural homestead under section 273.124.

9.10 (d) "Preferential rate income" means the lesser of:

9.11 (1) a taxpayer's adjusted net capital gain, as defined in section (1)(h)(3) of the Internal
 9.12 Revenue Code; or

9.13 (2) the taxpayer's federal taxable income, as defined in section 63 of the Internal Revenue
 9.14 Code.

9.15 **Subd. 2. Tax imposed; capital gains.** In addition to the taxes imposed under sections
 9.16 289A.08, subdivision 7; 290.03; and 290.091, an individual, trust, or estate is liable for a
 9.17 tax equal to ten percent of preferential rate income in excess of \$500,000.

9.18 **Subd. 3. Tax imposed; nontaxed step-up gains.** (a) In addition to the taxes imposed
 9.19 under sections 289A.08, subdivision 7; 290.03; and 290.091, an individual is liable for a
 9.20 tax equal to 19.85 percent of a taxpayer's nontaxed step-up gains determined under paragraph
 9.21 (b) that exceeds \$500,000.

9.22 (b) A taxpayer's nontaxed step-up gains equals the sum of the gains on each nontaxed
 9.23 capital asset owned by a taxpayer on the date of the taxpayer's death. The amount of each
 9.24 gain is equal to the amount that would be required to be included in the taxpayer's federal
 9.25 adjusted gross income if the asset was sold on the date of the taxpayer's death at a value
 9.26 equal to the value of the asset if it was includable in the decedent's federal gross estate.

9.27 **Subd. 4. Nonresidents.** (a) For an individual who is not a resident for the entire taxable
 9.28 year, the taxes under subdivisions 2 and 3 are imposed in an amount equal to:

9.29 (1) the amount calculated under subdivision 2 or 3 for the full year and for all preferential
 9.30 rate income; multiplied by

9.31 (2) the Minnesota percentage.

10.1 (b) A taxpayer's Minnesota percentage equals the taxpayer's nonresident numerator,
10.2 divided by the taxpayer's nonresident denominator.

10.3 (c) A taxpayer's nonresident numerator equals the sum of:

10.4 (1) the taxpayer's net capital gains from the sale of real property located in Minnesota
10.5 and tangible personal property with a situs in Minnesota on the date of the sale;

10.6 (2) the taxpayer's nontaxed step-up gains from real property located in Minnesota and
10.7 tangible personal property with a situs in Minnesota on the date of the sale;

10.8 (3) the amount of the taxpayer's preferential rate income received during a period when
10.9 the taxpayer was domiciled in Minnesota, other than preferential rate income from property
10.10 described in clause (1); and

10.11 (4) the amount of the taxpayer's Minnesota nontaxed step-up gains.

10.12 (d) A taxpayer's Minnesota nontaxed step-up gains equals the taxpayer's total nontaxed
10.13 step-up gains in the taxable year, excluding gains from property described in paragraph (c),
10.14 clause (2), multiplied by a percentage equal to the number of days the taxpayer was domiciled
10.15 in Minnesota in the taxable year, divided by the number of days in the taxable year.

10.16 (e) A taxpayer's nonresident denominator equals the sum of the taxpayer's preferential
10.17 rate income and nontaxed step-up gains.

10.18 Subd. 5. **Credits for taxes paid to another state.** For purposes of computing the credit
10.19 for taxes paid to another state under section 290.06, subdivision 22, if the net long-term
10.20 capital gain qualified for an exclusion, deduction, or exemption, in whole or part, from
10.21 taxation under the other state's tax, the tax under this section used to calculate the credit
10.22 must be reduced by ten percent of the dollar amount of the exclusion, deduction, or exemption
10.23 amount that applies under the other state's tax.

10.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.25 31, 2020.

10.26 Sec. 12. **REPEALER.**

10.27 Minnesota Statutes 2020, sections 126C.10, subdivisions 2e, 24, 25, 26, 27, 28, 29, 30,
10.28 32, and 33; and 126C.17, subdivisions 1, 2, 3, 4, 5, 6, 7, 7a, 7b, 8, 9, 10, and 11, are repealed.

10.29 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

126C.10 GENERAL EDUCATION REVENUE.

Subd. 2e. **Local optional revenue.** (a) For fiscal year 2020, local optional revenue for a school district equals \$424 times the adjusted pupil units of the district for that school year. For fiscal year 2021 and later, local optional revenue for a school district equals the sum of the district's first tier local optional revenue and second tier local optional revenue. A district's first tier local optional revenue equals \$300 times the adjusted pupil units of the district for that school year. A district's second tier local optional revenue equals \$424 times the adjusted pupil units of the district for that school year.

(b) For fiscal year 2020, a district's local optional levy equals its local optional revenue times the lesser of one or the ratio of its referendum market value per resident pupil unit to \$510,000. For fiscal year 2021 and later, a district's local optional levy equals the sum of the first tier local optional levy and the second tier local optional levy. A district's first tier local optional levy equals the district's first tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$880,000. A district's second tier local optional levy equals the district's second tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$510,000. The local optional levy must be spread on referendum market value. A district may levy less than the permitted amount.

(c) A district's local optional aid equals its local optional revenue minus its local optional levy. If a district's actual levy for first or second tier local optional revenue is less than its maximum levy limit for that tier, its aid must be proportionately reduced.

Subd. 24. **Equity revenue.** (a) A school district qualifies for equity revenue if:

(1) the school district's adjusted pupil unit amount of basic revenue, transition revenue, first tier local optional revenue, and referendum revenue is less than the value of the school district at or immediately above the 95th percentile of school districts in its equity region for those revenue categories; and

(2) the school district's administrative offices are not located in a city of the first class on July 1, 1999.

(b) Equity revenue equals the product of (1) the district's adjusted pupil units for that year; times (2) the sum of (i) \$14, plus (ii) \$80, times the school district's equity index computed under subdivision 27.

(c) A school district's equity revenue is increased by the greater of zero or an amount equal to the district's adjusted pupil units times the difference between ten percent of the statewide average amount of referendum revenue and first tier local optional revenue per adjusted pupil unit for that year and the sum of the district's referendum revenue and first tier local optional revenue per adjusted pupil unit. A school district's revenue under this paragraph must not exceed \$100,000 for that year.

(d) A school district's equity revenue for a school district located in the metro equity region equals the amount computed in paragraphs (b) and (c) multiplied by 1.25.

(e) For fiscal year 2020 and later for a school district not included in paragraph (d), a district's equity revenue equals the amount computed in paragraphs (b) and (c) multiplied by 1.25.

(f) A school district's additional equity revenue equals \$50 times its adjusted pupil units.

Subd. 25. **Regional equity gap.** The regional equity gap equals the difference between the value of the school district at or immediately above the fifth percentile of adjusted general revenue per adjusted pupil unit and the value of the school district at or immediately above the 95th percentile of adjusted general revenue per adjusted pupil unit.

Subd. 26. **District equity gap.** A district's equity gap equals the greater of zero or the difference between the district's adjusted general revenue and the value of the school district at or immediately above the regional 95th percentile of adjusted general revenue per adjusted pupil unit.

Subd. 27. **District equity index.** A district's equity index equals the ratio of the sum of the district equity gap amount to the regional equity gap amount.

Subd. 28. **Equity region.** For the purposes of computing equity revenue under subdivision 24, a district with its administrative office located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington County on January 1, 2012, is part of the metro equity region. All other districts are part of the rural equity region.

APPENDIX
Repealed Minnesota Statutes: 21-01857

Subd. 29. **Equity levy.** To obtain equity revenue for fiscal year 2015 and later, a district may levy an amount not more than the product of its equity revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident pupil unit to \$510,000.

Subd. 30. **Equity aid.** A district's equity aid equals its equity revenue minus its equity levy times the ratio of the actual amount levied to the permitted levy.

Subd. 32. **Transition levy.** To obtain transition revenue for fiscal year 2015 and later, a district may levy an amount not more than the product of its transition revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident pupil unit to \$510,000.

Subd. 33. **Transition aid.** (a) For fiscal year 2004, a district's transition aid equals its transition revenue.

(b) For fiscal year 2005 and later, a district's transition aid equals its transition revenue minus its transition levy times the ratio of the actual amount levied to the permitted levy.

126C.17 REFERENDUM REVENUE.

Subdivision 1. **Referendum allowance.** (a) A district's initial referendum allowance for fiscal year 2021 and later equals the result of the following calculations:

(1) subtract \$424 from the district's allowance under Minnesota Statutes 2018, section 126C.17, subdivision 1, paragraph (a), clause (5);

(2) if the result of clause (1) is less than zero, set the allowance to zero;

(3) add to the result in clause (2) any new referendum allowance authorized between July 1, 2013, and December 31, 2013, under Minnesota Statutes 2013, section 126C.17, subdivision 9a;

(4) add to the result in clause (3) any additional referendum allowance per adjusted pupil unit authorized between January 1, 2014, and June 30, 2019;

(5) subtract from the result in clause (4) any allowances expiring in fiscal year 2016, 2017, 2018, 2019, or 2020;

(6) subtract \$300 from the result in clause (5); and

(7) if the result of clause (6) is less than zero, set the allowance to zero.

(b) A district's referendum allowance equals the sum of the district's initial referendum allowance, plus any new referendum allowance authorized after July 1, 2019, minus any allowances expiring in fiscal year 2021 or later, plus any inflation adjustments for fiscal year 2021 and later approved by the voters prior to July 1, 2019, provided that the allowance may not be less than zero. For a district with more than one allowance for fiscal year 2015 that expires in the same year, the reduction under paragraph (a), clauses (1) and (6), shall be made first from any allowances that do not have an inflation adjustment approved by the voters.

Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal year 2021 and later, a district's referendum allowance must not exceed the greater of:

(1) the product of the annual inflationary increase as calculated under paragraph (b), and \$2,079.50, minus \$300;

(2) the product of the annual inflationary increase as calculated under paragraph (b), and the referendum allowance limit the district would have received for fiscal year 2021 under Minnesota Statutes 2018, section 126C.17, subdivision 2, paragraph (a), clause (2), minus \$300;

(3) for a newly reorganized district created on July 1, 2020, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its adjusted pupil units for the year preceding reorganization, minus \$300; or

(4) for a newly reorganized district created after July 1, 2020, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its adjusted pupil units for the year preceding reorganization.

(b) For purposes of this subdivision, for fiscal year 2022 and later, "inflationary increase" means one plus the percentage change in the Consumer Price Index for urban consumers, as prepared by the United States Bureau of Labor Statistics, for the current fiscal year to fiscal year 2021.

Subd. 3. **Sparsity exception.** A district that qualifies for sparsity revenue under section 126C.10 is not subject to a referendum allowance limit.

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Subd. 4. **Total referendum revenue.** The total referendum revenue for each district equals the district's referendum allowance times the adjusted pupil units for the school year.

Subd. 5. **Referendum equalization revenue.** (a) A district's referendum equalization revenue equals the sum of the first tier referendum equalization revenue and the second tier referendum equalization revenue.

(b) A district's first tier referendum equalization revenue equals the district's first tier referendum equalization allowance times the district's adjusted pupil units for that year.

(c) A district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$460.

(d) A district's second tier referendum equalization revenue equals the district's second tier referendum equalization allowance times the district's adjusted pupil units for that year.

(e) A district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 25 percent of the formula allowance, minus the sum of \$300 and the district's first tier referendum equalization allowance.

(f) Notwithstanding paragraph (e), the second tier referendum allowance for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum allowance under subdivision 1 minus the district's first tier referendum equalization allowance.

Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$567,000.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$290,000.

Subd. 7. **Referendum equalization aid.** (a) A district's referendum equalization aid equals the difference between its referendum equalization revenue and levy.

(b) If a district's actual levy for first or second tier referendum equalization revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district must not exceed: (1) 25 percent of the formula allowance minus \$300; times (2) the district's adjusted pupil units. A district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph.

Subd. 7a. **Referendum tax base replacement aid.** For each school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized referendum levy, the commissioner of revenue, in consultation with the commissioner of education, shall certify the amount of the referendum levy in taxes payable year 2001 attributable to the portion of the referendum allowance exceeding \$415 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting of the house, garage, and surrounding one acre of land. The resulting amount must be used to reduce the district's referendum levy or first tier local optional levy amount otherwise determined, and must be paid to the district each year that the referendum or first tier local optional authority remains in effect, is renewed, or new referendum authority is approved. The aid payable under this subdivision must be subtracted from the district's referendum equalization aid under subdivision 7. The referendum equalization aid and the first tier local optional aid after the subtraction must not be less than zero.

Subd. 7b. **Referendum aid guarantee.** (a) Notwithstanding subdivision 7, the sum of a district's referendum equalization aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2015 must not be less than the sum of the referendum equalization aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 7, and the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c).

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(b) Notwithstanding subdivision 7, the sum of referendum equalization aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2016 and later, for a district qualifying for additional aid under paragraph (a) for fiscal year 2015, must not be less than the product of (1) the sum of the district's referendum equalization aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2015, times (2) the lesser of one or the ratio of the sum of the district's referendum revenue and local optional revenue for that school year to the sum of the district's referendum revenue and local optional revenue for fiscal year 2015, times (3) the lesser of one or the ratio of the district's referendum market value used for fiscal year 2015 referendum equalization calculations to the district's referendum market value used for that year's referendum equalization calculations.

Subd. 8. **Unequalized referendum levy.** Each year, a district may levy an amount equal to the difference between its total referendum revenue according to subdivision 4 and its referendum equalization revenue according to subdivision 5.

Subd. 9. **Referendum revenue.** (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per adjusted pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per adjusted pupil unit that differs from year to year over the number of years for which the increased revenue is authorized or may state that the amount shall increase annually by the rate of inflation. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per adjusted pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND
AN EXISTING PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of, School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per adjusted pupil unit times the adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must deliver by mail at least 15 days but no more than 45 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

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The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per adjusted pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

Subd. 10. School referendum levy; market value. A school referendum levy must be levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3. Any referendum levy amount subject to the requirements of this subdivision must be certified separately to the county auditor under section 275.07.

Subd. 11. Referendum date. (a) Except for a referendum held under paragraph (b), any referendum under this section held on a day other than the first Tuesday after the first Monday in November must be conducted by mail in accordance with section 204B.46. Notwithstanding subdivision 9, paragraph (b), to the contrary, in the case of a referendum conducted by mail under this paragraph, the notice required by subdivision 9, paragraph (b), must be prepared and delivered by first-class mail at least 20 days before the referendum.

(b) In addition to the referenda allowed in subdivision 9, paragraph (a), the commissioner may grant authority to a district to hold a referendum on a different day if the district is in statutory operating debt and has an approved plan or has received an extension from the department to file a plan to eliminate the statutory operating debt.

(c) The commissioner must approve, deny, or modify each district's request for a referendum levy on a different day within 60 days of receiving the request from a district.