

1.1 A bill for an act

1.2 relating to local government; providing for city payments to towns following
1.3 annexation; amending Minnesota Statutes 2008, section 414.036.

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

1.5 Section 1. Minnesota Statutes 2008, section 414.036, is amended to read:

1.6 **414.036 CITY REIMBURSEMENT TO TOWN TO ANNEX TAXABLE**
1.7 **PROPERTY.**

1.8 Subdivision 1. Orderly annexation. Unless otherwise agreed to by the annexing
1.9 municipality and the affected town, When an order or other approval under this chapter
1.10 section 414.0325 annexes part of a town to a municipality, the order or other approval
1.11 must provide a reimbursement from the municipality to the town for all or part of the
1.12 taxable property annexed at the town tax rate at the time of annexation as part of the
1.13 order. The reimbursement shall be completed in substantially equal payments over not
1.14 less than two nor more than eight years from the time of annexation and shall not equal
1.15 more than eight years' worth of property taxes. The municipality must reimburse the
1.16 township for all special assessments assigned by the township to the annexed property
1.17 that are received by the municipality, and any portion of debt incurred by the town prior
1.18 to the annexation and attributable to the property to be annexed but for which no special
1.19 assessments are outstanding, provided the town makes a written request and includes
1.20 supporting documentation to the municipality within 60 days of the order. Reimbursement
1.21 for debt attributable to the annexed property must either be paid by the municipality in
1.22 substantially equal payments over a period of not less than two or no more than eight years
1.23 or upon the same terms as the debt was incurred by the town. Reimbursement for special

2.1 assessments must be paid to the town within 30 days of receipt of assessment payments
2.2 by the municipality from the county or property owner.

2.3 Subd. 2. **Annexation by ordinance.** When a municipality adopts an ordinance
2.4 under section 414.033, annexing part of a town to a municipality, the ordinance must
2.5 provide a reimbursement from the municipality to the town for the loss of taxes from the
2.6 property annexed for the period and in accordance with the following schedule:

2.7 (1) in the first levy year following the year when the annexing municipality could
2.8 first levy on the annexed area, the municipality must make a cash payment to the affected
2.9 town in an amount equal to 90 percent of the property taxes distributed to the town
2.10 in regard to the annexed area in the last year the property taxes from the annexed area
2.11 were payable to the town;

2.12 (2) in the second year, an amount equal to 80 percent;

2.13 (3) in the third year, an amount equal to 60 percent;

2.14 (4) in the fourth year, an amount equal to 40 percent; and

2.15 (5) in the fifth and final year, an amount equal to 20 percent.

2.16 Subd. 3. **Reimbursements exclusive.** The reimbursements authorized in this
2.17 section are the only payments or consideration that can be made by a municipality to a
2.18 town under this chapter.