

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH SESSION**

**S.F. No. 2878**

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DATE	D-PG	OFFICIAL STATUS
03/21/2014	6505	Introduction and first reading Referred to Taxes

A bill for an act

1.1 relating to taxation; property; reinstating the residential homestead market  
 1.2 value credit and repealing the homestead market value exclusion; amending  
 1.3 Minnesota Statutes 2012, sections 126C.01, subdivision 3; 273.13, subdivision  
 1.4 34; 273.1384, subdivisions 3, 4, by adding a subdivision; 273.1393; 469.174,  
 1.5 subdivision 25; 469.177, subdivision 1; Minnesota Statutes 2013 Supplement,  
 1.6 sections 273.032; 273.124, subdivisions 3a, 13b; 276.04, subdivision 2; repealing  
 1.7 Minnesota Statutes 2012, section 273.13, subdivision 35; Minnesota Statutes  
 1.8 2013 Supplement, section 469.177, subdivision 1d.  
 1.9

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

1.11 Section 1. Minnesota Statutes 2012, section 126C.01, subdivision 3, is amended to read:

1.12 Subd. 3. **Referendum market value.** "Referendum market value" means the  
 1.13 market value of all taxable property, excluding property classified as class 2, 4c(4), or  
 1.14 4c(12) under section 273.13. The portion of class 2a property consisting of the house,  
 1.15 garage, and surrounding one acre of land of an agricultural homestead is included in  
 1.16 referendum market value. ~~For the purposes of this subdivision, in the case of class 1a,~~  
 1.17 ~~1b, or 2a property, "market value" means the value prior to the exclusion under section~~  
 1.18 ~~273.13, subdivision 35.~~ Any class of property, or any portion of a class of property, that is  
 1.19 included in the definition of referendum market value and that has a class rate of less than  
 1.20 one percent under section 273.13 shall have a referendum market value equal to its market  
 1.21 value times its class rate, multiplied by 100.

1.22 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
 1.23 thereafter.

2.1 Sec. 2. Minnesota Statutes 2013 Supplement, section 273.032, is amended to read:

2.2 **273.032 MARKET VALUE DEFINITION.**

2.3 (a) Unless otherwise provided, for the purpose of determining any property tax  
2.4 levy limitation based on market value or any limit on net debt, the issuance of bonds,  
2.5 certificates of indebtedness, or capital notes based on market value, any qualification to  
2.6 receive state aid based on market value, or any state aid amount based on market value,  
2.7 the terms "market value," "estimated market value," and "market valuation," whether  
2.8 equalized or unequalized, mean the estimated market value of taxable property within the  
2.9 local unit of government before any of the following or similar adjustments for:

2.10 (1) the market value exclusions under:

2.11 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

2.12 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

2.13 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business  
2.14 properties);

2.15 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);

2.16 (v) section 273.11, subdivision 22 (qualifying lead hazardous reduction projects);

2.17 (vi) section 273.13, subdivision 34 (homestead of a disabled veteran or family  
2.18 caregiver);

2.19 ~~(vii) section 273.13, subdivision 35 (homestead market value exclusion); or~~

2.20 (2) the deferment of value under:

2.21 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

2.22 (ii) the Aggregate Resource Preservation Law, section 273.1115;

2.23 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

2.24 (iv) the rural preserves property tax program, section 273.114; or

2.25 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

2.26 (3) the adjustments to tax capacity for:

2.27 (i) tax increment financing under sections 469.174 to 469.1794;

2.28 (ii) fiscal disparities under chapter 276A or 473F; or

2.29 (iii) powerline credit under section 273.425.

2.30 (b) Estimated market value under paragraph (a) also includes the market value  
2.31 of tax-exempt property if the applicable law specifically provides that the limitation,  
2.32 qualification, or aid calculation includes tax-exempt property.

2.33 (c) Unless otherwise provided, "market value," "estimated market value," and  
2.34 "market valuation" for purposes of property tax levy limitations and calculation of state  
2.35 aid, refer to the estimated market value for the previous assessment year and for purposes

3.1 of limits on net debt, the issuance of bonds, certificates of indebtedness, or capital notes  
3.2 refer to the estimated market value as last finally equalized.

3.3 (d) For purposes of a provision of a home rule charter or of any special law that is not  
3.4 codified in the statutes and that imposes a levy limitation based on market value or any limit  
3.5 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market  
3.6 value, the terms "market value," "taxable market value," and "market valuation," whether  
3.7 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

3.8 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
3.9 thereafter.

3.10 Sec. 3. Minnesota Statutes 2013 Supplement, section 273.124, subdivision 3a, is  
3.11 amended to read:

3.12 Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home  
3.13 park is owned by a corporation or association organized under chapter 308A or 308B,  
3.14 and each person who owns a share or shares in the corporation or association is entitled  
3.15 to occupy a lot within the park, the corporation or association may claim homestead  
3.16 treatment for the park. Each lot must be designated by legal description or number, and  
3.17 each lot is limited to not more than one-half acre of land.

3.18 (b) The manufactured home park shall be entitled to homestead treatment if all  
3.19 of the following criteria are met:

3.20 (1) the occupant or the cooperative corporation or association is paying the ad  
3.21 valorem property taxes and any special assessments levied against the land and structure  
3.22 either directly, or indirectly through dues to the corporation or association; and

3.23 (2) the corporation or association organized under chapter 308A or 308B is wholly  
3.24 owned by persons having a right to occupy a lot owned by the corporation or association.

3.25 (c) A charitable corporation, organized under the laws of Minnesota with no  
3.26 outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3)  
3.27 tax-exempt status, qualifies for homestead treatment with respect to a manufactured home  
3.28 park if its members hold residential participation warrants entitling them to occupy a lot  
3.29 in the manufactured home park.

3.30 (d) "Homestead treatment" under this subdivision means the class rate provided for  
3.31 class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5),  
3.32 item (ii). The homestead market value ~~exclusion~~ credit under section ~~273.13, subdivision~~  
3.33 ~~35 273.1384~~, does not apply and the property taxes assessed against the park shall not be  
3.34 included in the determination of taxes payable for rent paid under section 290A.03.

4.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
4.2 thereafter.

4.3 Sec. 4. Minnesota Statutes 2013 Supplement, section 273.124, subdivision 13b,  
4.4 is amended to read:

4.5 Subd. 13b. **Improper homestead.** (a) If the commissioner finds that a property  
4.6 owner may be claiming a fraudulent homestead, the commissioner shall notify the  
4.7 appropriate counties. Within 90 days of the notification, the county assessor shall  
4.8 investigate to determine if the homestead classification was properly claimed. If the  
4.9 property owner does not qualify, the county assessor shall notify the county auditor who  
4.10 will determine the amount of homestead benefits that had been improperly allowed. For  
4.11 the purpose of this subdivision, "homestead benefits" means ~~the tax reduction resulting~~  
4.12 ~~from the classification as a homestead and the homestead market value exclusion under~~  
4.13 ~~section 273.13~~, the taconite homestead credit under section 273.135, the residential and  
4.14 agricultural homestead credit credits under section 273.1384, and the supplemental  
4.15 homestead credit under section 273.1391.

4.16 The county auditor shall send a notice to the person who owned the affected property  
4.17 at the time the homestead application related to the improper homestead was filed,  
4.18 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent  
4.19 of the homestead benefits. The person notified may appeal the county's determination  
4.20 by serving copies of a petition for review with county officials as provided in section  
4.21 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax  
4.22 Court within 60 days of the date of the notice from the county. Procedurally, the appeal  
4.23 is governed by the provisions in chapter 271 which apply to the appeal of a property tax  
4.24 assessment or levy, but without requiring any prepayment of the amount in controversy. If  
4.25 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal  
4.26 has been filed, the county auditor shall certify the amount of taxes and penalty to the county  
4.27 treasurer. The county treasurer will add interest to the unpaid homestead benefits and  
4.28 penalty amounts at the rate provided in section 279.03 for real property taxes becoming  
4.29 delinquent in the calendar year during which the amount remains unpaid. Interest may be  
4.30 assessed for the period beginning 60 days after demand for payment was made.

4.31 If the person notified is the current owner of the property, the treasurer may add the  
4.32 total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes  
4.33 otherwise payable on the property by including the amounts on the property tax statements  
4.34 under section 276.04, subdivision 3. The amounts added under this paragraph to the ad  
4.35 valorem taxes shall include interest accrued through December 31 of the year preceding

5.1 the taxes payable year for which the amounts are first added. These amounts, when added  
5.2 to the property tax statement, become subject to all the laws for the enforcement of real or  
5.3 personal property taxes for that year, and for any subsequent year.

5.4 If the person notified is not the current owner of the property, the treasurer may  
5.5 collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of  
5.6 the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment  
5.7 of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent  
5.8 tax obligations of the person who owned the property at the time the application related to  
5.9 the improperly allowed homestead was filed. The treasurer may relieve a prior owner of  
5.10 personal liability for the homestead benefits, penalty, interest, and costs, and instead extend  
5.11 those amounts on the tax lists against the property as provided in this paragraph to the extent  
5.12 that the current owner agrees in writing. On all demands, billings, property tax statements,  
5.13 and related correspondence, the county must list and state separately the amounts of  
5.14 homestead benefits, penalty, interest and costs being demanded, billed or assessed.

5.15 (b) Any amount of homestead benefits recovered by the county from the property  
5.16 owner shall be distributed to the county, city or town, and school district where the  
5.17 property is located in the same proportion that each taxing district's levy was to the total  
5.18 of the three taxing districts' levy for the current year. Any amount recovered attributable  
5.19 to taconite homestead credit shall be transmitted to the St. Louis County auditor to be  
5.20 deposited in the taconite property tax relief account. Any amount recovered that is  
5.21 attributable to supplemental homestead credit is to be transmitted to the commissioner of  
5.22 revenue for deposit in the general fund of the state treasury. The total amount of penalty  
5.23 collected must be deposited in the county general fund.

5.24 (c) If a property owner has applied for more than one homestead and the county  
5.25 assessors cannot determine which property should be classified as homestead, the county  
5.26 assessors will refer the information to the commissioner. The commissioner shall make  
5.27 the determination and notify the counties within 60 days.

5.28 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
5.29 thereafter.

5.30 Sec. 5. Minnesota Statutes 2012, section 273.13, subdivision 34, is amended to read:

5.31 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a  
5.32 portion of the market value of property owned by a veteran and serving as the veteran's  
5.33 homestead under this section is excluded in determining the property's taxable market  
5.34 value if the veteran has a service-connected disability of 70 percent or more as certified  
5.35 by the United States Department of Veterans Affairs. To qualify for exclusion under this

6.1 subdivision, the veteran must have been honorably discharged from the United States  
6.2 armed forces, as indicated by United States Government Form DD214 or other official  
6.3 military discharge papers.

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

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

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

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

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

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

6.29 (g) A property qualifying for a valuation exclusion under this subdivision is not  
6.30 eligible for the ~~market value exclusion under subdivision 35~~ residential homestead market  
6.31 value credit under section 273.1384, or classification under subdivision 22, paragraph (b).

6.32 (h) To qualify for a valuation exclusion under this subdivision a property owner  
6.33 must apply to the assessor by July 1 of each assessment year, except that an annual  
6.34 reapplication is not required once a property has been accepted for a valuation exclusion  
6.35 under paragraph (a) and qualifies for the benefit described in paragraph (b), clause (2), and  
6.36 the property continues to qualify until there is a change in ownership. For an application

7.1 received after July 1 of any calendar year, the exclusion shall become effective for the  
7.2 following assessment year.

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

7.5 (j) For purposes of this subdivision:

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

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

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

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

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

7.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
7.19 thereafter.

7.20 Sec. 6. Minnesota Statutes 2012, section 273.1384, is amended by adding a subdivision  
7.21 to read:

7.22 Subd. 1a. **Residential homestead market value credit.** Each county auditor shall  
7.23 determine a homestead credit for each class 1a, 1b, and 2a homestead property within the  
7.24 county equal to 0.4 percent of the first \$76,000 of market value of the property minus .09  
7.25 percent of the market value in excess of \$76,000. The credit amount may not be less than  
7.26 zero. In the case of an agricultural or resort homestead, only the market value of the  
7.27 house, garage, and immediately surrounding one acre of land is eligible in determining the  
7.28 property's homestead credit. In the case of a property that is classified as part homestead  
7.29 and part nonhomestead, (i) the credit shall apply only to the homestead portion of the  
7.30 property, but (ii) if a portion of a property is classified as nonhomestead solely because not  
7.31 all the owners occupy the property, not all the owners have qualifying relatives occupying  
7.32 the property, or solely because not all the spouses of owners occupy the property, the  
7.33 credit amount shall be initially computed as if that nonhomestead portion were also in  
7.34 the homestead class and then prorated to the owner-occupant's percentage of ownership.  
7.35 For the purpose of this section, when an owner-occupant's spouse does not occupy the

8.1 property, the percentage of ownership for the owner-occupant spouse is one-half of the  
8.2 couple's ownership percentage.

8.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
8.4 thereafter.

8.5 Sec. 7. Minnesota Statutes 2012, section 273.1384, subdivision 3, is amended to read:

8.6 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax  
8.7 reductions allowed under ~~subdivision 2~~ this section within the county for each taxes  
8.8 payable year and shall certify that amount to the commissioner of revenue as a part of the  
8.9 abstracts of tax lists submitted by the county auditors under section 275.29. Any prior  
8.10 year adjustments shall also be certified on the abstracts of tax lists. The commissioner  
8.11 shall review the certifications for accuracy, and may make such changes as are deemed  
8.12 necessary, or return the certification to the county auditor for correction. The credit under  
8.13 this section must be used to proportionately reduce the net tax capacity-based property tax  
8.14 payable to each local taxing jurisdiction as provided in section 273.1393.

8.15 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
8.16 thereafter.

8.17 Sec. 8. Minnesota Statutes 2012, section 273.1384, subdivision 4, is amended to read:

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

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

8.28 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
8.29 thereafter.

8.30 Sec. 9. Minnesota Statutes 2012, section 273.1393, is amended to read:

8.31 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**



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

- 9.3 (1) disaster credit as provided in sections 273.1231 to 273.1235;
- 9.4 (2) powerline credit as provided in section 273.42;
- 9.5 (3) agricultural preserves credit as provided in section 473H.10;
- 9.6 (4) enterprise zone credit as provided in section 469.171;
- 9.7 (5) disparity reduction credit;
- 9.8 (6) conservation tax credit as provided in section 273.119;
- 9.9 (7) homestead and agricultural credit credits as provided in section 273.1384;
- 9.10 (8) taconite homestead credit as provided in section 273.135;
- 9.11 (9) supplemental homestead credit as provided in section 273.1391; and
- 9.12 (10) the bovine tuberculosis zone credit, as provided in section 273.113.

9.13 The combination of all property tax credits must not exceed the gross tax amount.

9.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
 9.15 thereafter.

9.16 Sec. 10. Minnesota Statutes 2013 Supplement, section 276.04, subdivision 2, is  
 9.17 amended to read:

9.18 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing  
 9.19 of the tax statements. The commissioner of revenue shall prescribe the form of the property  
 9.20 tax statement and its contents. The tax statement must not state or imply that property tax  
 9.21 credits are paid by the state of Minnesota. The statement must contain a tabulated statement  
 9.22 of the dollar amount due to each taxing authority and the amount of the state tax from the  
 9.23 parcel of real property for which a particular tax statement is prepared. The dollar amounts  
 9.24 attributable to the county, the state tax, the voter approved school tax, the other local school  
 9.25 tax, the township or municipality, and the total of the metropolitan special taxing districts  
 9.26 as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated.

9.27 The amounts due all other special taxing districts, if any, may be aggregated except that  
 9.28 any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota,  
 9.29 Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate  
 9.30 line directly under the appropriate county's levy. If the county levy under this paragraph  
 9.31 includes an amount for a lake improvement district as defined under sections 103B.501  
 9.32 to 103B.581, the amount attributable for that purpose must be separately stated from the  
 9.33 remaining county levy amount. In the case of Ramsey County, if the county levy under this  
 9.34 paragraph includes an amount for public library service under section 134.07, the amount  
 9.35 attributable for that purpose may be separated from the remaining county levy amount.

10.1 The amount of the tax on homesteads qualifying under the senior citizens' property tax  
 10.2 deferral program under chapter 290B is the total amount of property tax before subtraction  
 10.3 of the deferred property tax amount. The amount of the tax on contamination value  
 10.4 imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar  
 10.5 amounts, including the dollar amount of any special assessments, may be rounded to the  
 10.6 nearest even whole dollar. For purposes of this section whole odd-numbered dollars may  
 10.7 be adjusted to the next higher even-numbered dollar. The amount of market value excluded  
 10.8 under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

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

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

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

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

10.19 ~~(3) (2)~~ the property's taxable market value under section 272.03, subdivision 15;

10.20 ~~(4) (3)~~ the property's gross tax, before credits;

10.21 ~~(5) (4)~~ for homestead residential and agricultural properties, the ~~credit~~ credits under  
 10.22 section 273.1384;

10.23 ~~(6) (5)~~ any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;  
 10.24 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of  
 10.25 credit received under section 273.135 must be separately stated and identified as "taconite  
 10.26 tax relief"; and

10.27 ~~(7) (6)~~ the net tax payable in the manner required in paragraph (a).

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

11.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
11.2 thereafter.

11.3 Sec. 11. Minnesota Statutes 2012, section 469.174, subdivision 25, is amended to read:

11.4 Subd. 25. **Increment.** "Increment," "tax increment," "tax increment revenues,"  
11.5 "revenues derived from tax increment," and other similar terms for a district include:

11.6 (1) taxes paid by the captured net tax capacity, but excluding any excess taxes, as  
11.7 computed under section 469.177;

11.8 (2) the proceeds from the sale or lease of property, tangible or intangible, to the  
11.9 extent the property was purchased by the authority with tax increments;

11.10 (3) principal and interest received on loans or other advances made by the authority  
11.11 with tax increments;

11.12 (4) interest or other investment earnings on or from tax increments; ~~and~~

11.13 (5) repayments or return of tax increments made to the authority under agreements  
11.14 for districts for which the request for certification was made after August 1, 1993; and

11.15 (6) the market value homestead credit paid to the authority under section 273.1384.

11.16 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
11.17 thereafter.

11.18 Sec. 12. Minnesota Statutes 2012, section 469.177, subdivision 1, is amended to read:

11.19 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax  
11.20 increment financing plan, the auditor of any county in which the district is situated shall,  
11.21 upon request of the authority, certify the original net tax capacity of the tax increment  
11.22 financing district and that portion of the district overlying any subdistrict as described in the  
11.23 tax increment financing plan and shall certify in each year thereafter the amount by which  
11.24 the original net tax capacity has increased or decreased as a result of a change in tax exempt  
11.25 status of property within the district and any subdistrict, reduction or enlargement of the  
11.26 district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30  
11.27 days after receipt of the request and sufficient information to identify the parcels included in  
11.28 the district. The certification relates to the taxes payable year as provided in subdivision 6.

11.29 (b) If the classification under section 273.13 of property located in a district changes  
11.30 to a classification that has a different assessment ratio, the original net tax capacity of that  
11.31 property must be redetermined at the time when its use is changed as if the property had  
11.32 originally been classified in the same class in which it is classified after its use is changed.

11.33 (c) The amount to be added to the original net tax capacity of the district as a result  
11.34 of previously tax exempt real property within the district becoming taxable equals the net

12.1 tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if  
12.2 that assessment was made more than one year prior to the date of title transfer rendering  
12.3 the property taxable, the net tax capacity assessed by the assessor at the time of the  
12.4 transfer. If improvements are made to tax exempt property after the municipality approves  
12.5 the district and before the parcel becomes taxable, the assessor shall, at the request of  
12.6 the authority, separately assess the estimated market value of the improvements. If the  
12.7 property becomes taxable, the county auditor shall add to original net tax capacity, the net  
12.8 tax capacity of the parcel, excluding the separately assessed improvements. If substantial  
12.9 taxable improvements were made to a parcel after certification of the district and if the  
12.10 property later becomes tax exempt, in whole or part, as a result of the authority acquiring  
12.11 the property through foreclosure or exercise of remedies under a lease or other revenue  
12.12 agreement or as a result of tax forfeiture, the amount to be added to the original net tax  
12.13 capacity of the district as a result of the property again becoming taxable is the amount  
12.14 of the parcel's value that was included in original net tax capacity when the parcel was  
12.15 first certified. The amount to be added to the original net tax capacity of the district as a  
12.16 result of enlargements equals the net tax capacity of the added real property as most  
12.17 recently certified by the commissioner of revenue as of the date of modification of the tax  
12.18 increment financing plan pursuant to section 469.175, subdivision 4.

12.19 (d) If the net tax capacity of a property increases because the property no longer  
12.20 qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the  
12.21 Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan  
12.22 Agricultural Preserves Act, chapter 473H, the Rural Preserve Property Tax Program  
12.23 under section 273.114, or because platted, unimproved property is improved or market  
12.24 value is increased after approval of the plat under section 273.11, subdivision 14a or 14b,  
12.25 the increase in net tax capacity must be added to the original net tax capacity. ~~If the  
12.26 net tax capacity of a property increases because the property no longer qualifies for the  
12.27 homestead market value exclusion under section 273.13, subdivision 35, the increase in  
12.28 net tax capacity must be added to original net tax capacity if the original construction of  
12.29 the affected home was completed before the date the assessor certified the original net  
12.30 tax capacity of the district.~~

12.31 (e) The amount to be subtracted from the original net tax capacity of the district as a  
12.32 result of previously taxable real property within the district becoming tax exempt or  
12.33 qualifying in whole or part for an exclusion from taxable market value, or a reduction in  
12.34 the geographic area of the district, shall be the amount of original net tax capacity initially  
12.35 attributed to the property becoming tax exempt, being excluded from taxable market  
12.36 value, or being removed from the district. If the net tax capacity of property located within

13.1 the tax increment financing district is reduced by reason of a court-ordered abatement,  
13.2 stipulation agreement, voluntary abatement made by the assessor or auditor or by order  
13.3 of the commissioner of revenue, the reduction shall be applied to the original net tax  
13.4 capacity of the district when the property upon which the abatement is made has not been  
13.5 improved since the date of certification of the district and to the captured net tax capacity  
13.6 of the district in each year thereafter when the abatement relates to improvements made  
13.7 after the date of certification. The county auditor may specify reasonable form and content  
13.8 of the request for certification of the authority and any modification thereof pursuant to  
13.9 section 469.175, subdivision 4.

13.10 (f) If a parcel of property contained a substandard building or improvements described  
13.11 in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if  
13.12 the authority elects to treat the parcel as occupied by a substandard building under section  
13.13 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174,  
13.14 subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the  
13.15 parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated  
13.16 market value of the parcel for the year in which the building or other improvements were  
13.17 demolished or removed, but applying the class rates for the current year.

13.18 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,  
13.19 paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of  
13.20 the land as the original tax capacity for any parcel in the district that contains a building  
13.21 that suffered substantial damage as a result of the disaster or emergency.

13.22 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
13.23 thereafter.

13.24 Sec. 13. **REPEALER.**

13.25 (a) Minnesota Statutes 2012, section 273.13, subdivision 35, is repealed.

13.26 (b) Minnesota Statutes 2013 Supplement, section 469.177, subdivision 1d, is  
13.27 repealed.

13.28 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
13.29 thereafter.

**273.13 CLASSIFICATION OF PROPERTY.**

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.

**469.177 COMPUTATION OF TAX INCREMENT.**

Subd. 1d. **Original net tax capacity adjustment; homestead market value exclusion.** (a) Upon approval by the municipality, by resolution, the authority may elect to reduce the original net tax capacity of a qualified district by the amount of the tax capacity attributable to the market value exclusion under section 273.13, subdivision 35, for taxes payable in the year preceding the election. The amount of the reduction may not reduce the original net tax capacity below zero.

(b) For purposes of this subdivision, a qualified district means a tax increment financing district that satisfies the following conditions:

(1) for taxes payable in 2011, the authority received a homestead market value credit reimbursement under section 273.1384 for the district of \$10,000 or more;

(2) for taxes payable in 2013, the reduction in captured tax capacity resulting from the market value exclusion for the district was equal to or greater than 1.75 percent of the district's captured tax capacity; and

(3) either (i) the authority is permitted to expend increments on activities under the provisions of section 469.1763, subdivision 3, or an equivalent provision of special law on July 1, 2013, or (ii) the district's tax increments received for taxes payable in 2012 exceeded the amount of debt service payments due during calendar year 2012 on bonds issued under section 469.178 to which the district's increments are pledged.

The calculation of the amount under clause (2) must reflect any adjustments to original net tax capacity made under subdivision 1, paragraphs (d) and (e), for the homestead market value exclusion.

(c) The authority must notify the county auditor of its election under this section no later than July 1, 2014. Notifications made by July 1, 2013, are effective beginning for taxes payable in 2014, and notifications made after July 1, 2013, are effective beginning for taxes payable in 2015.