

**SENATE**  
**STATE OF MINNESOTA**  
**NINETY-FIRST SESSION**

**S.F. No. 4176**

(SENATE AUTHORS: LIMMER and Bakk)

DATE  
03/09/2020

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5348 Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act  
 1.2 relating to taxation; property; establishing a residential rental housing market value  
 1.3 exclusion; amending Minnesota Statutes 2018, sections 273.13, by adding a  
 1.4 subdivision; 276.04, subdivision 2; Minnesota Statutes 2019 Supplement, section  
 1.5 273.032; proposing coding for new law in Minnesota Statutes, chapter 273.

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

1.7 Section 1. Minnesota Statutes 2019 Supplement, section 273.032, is amended to read:

1.8 **273.032 MARKET VALUE DEFINITION.**

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

1.16 (1) the market value exclusions under:

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

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

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

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

1.21 (v) section 273.13, subdivision 34 (homestead of a veteran with a disability or family  
 1.22 caregiver); ~~or~~

- 2.1 (vi) section 273.13, subdivision 35 (homestead market value exclusion); or
- 2.2 (vii) section 273.13, subdivision 36 (residential rental housing market value exclusion);
- 2.3 or
- 2.4 (2) the deferment of value under:
- 2.5 (i) the Minnesota Agricultural Property Tax Law, section 273.111;
- 2.6 (ii) the Aggregate Resource Preservation Law, section 273.1115;
- 2.7 (iii) the Minnesota Open Space Property Tax Law, section 273.112;
- 2.8 (iv) the rural preserves property tax program, section 273.114; or
- 2.9 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or
- 2.10 (3) the adjustments to tax capacity for:
- 2.11 (i) tax increment financing under sections 469.174 to 469.1794;
- 2.12 (ii) fiscal disparities under chapter 276A or 473F; or
- 2.13 (iii) powerline credit under section 273.425.
- 2.14 (b) Estimated market value under paragraph (a) also includes the market value of
- 2.15 tax-exempt property if the applicable law specifically provides that the limitation,
- 2.16 qualification, or aid calculation includes tax-exempt property.
- 2.17 (c) Unless otherwise provided, "market value," "estimated market value," and "market
- 2.18 valuation" for purposes of property tax levy limitations and calculation of state aid, refer
- 2.19 to the estimated market value for the previous assessment year and for purposes of limits
- 2.20 on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the
- 2.21 estimated market value as last finally equalized.
- 2.22 (d) For purposes of a provision of a home rule charter or of any special law that is not
- 2.23 codified in the statutes and that imposes a levy limitation based on market value or any limit
- 2.24 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market
- 2.25 value, the terms "market value," "taxable market value," and "market valuation," whether
- 2.26 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).
- 2.27 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2021.

3.1       Sec. 2. [273.129] RESIDENTIAL RENTAL HOUSING MARKET VALUE  
 3.2       EXCLUSION PROGRAM; ESTABLISHMENT.

3.3       Subdivision 1. Definitions. (a) For purposes of this section, the following terms have  
 3.4       the meanings given, unless otherwise indicated.

3.5       (b) "City" means a statutory or home rule charter city.

3.6       (c) "Governing body" means the governing body of a statutory or home rule charter city.

3.7       (d) "Market value" has the meaning given in section 272.03, subdivision 8.

3.8       (e) "Property" means a residential rental housing property classified as class 4a under  
 3.9       section 273.13, subdivision 25, a portion of which is occupied by residents meeting the  
 3.10      income requirement under subdivision 4.

3.11      Subd. 2. Establishment. A residential rental housing value exclusion program is  
 3.12      established to promote the development and redevelopment of affordable rental properties  
 3.13      in the state. Eligible properties located in participating cities are eligible to receive a market  
 3.14      value exclusion of up to 50 percent.

3.15      Subd. 3. Approval. (a) The governing body of a city may, upon approval by a majority  
 3.16      vote of its members, adopt a resolution agreeing to participate in the affordable rental housing  
 3.17      market value exclusion program. Prior to approval, the governing body must publish notice  
 3.18      of its intent to discuss the resolution at a regularly scheduled meeting, in a newspaper with  
 3.19      general circulation in the city at least twice, not less than 30 days prior to the meeting. The  
 3.20      notice must include the date, time, and location of the meeting at which the program will  
 3.21      be discussed and public input allowed.

3.22      (b) After a city has adopted a resolution agreeing to participate in the program, the city  
 3.23      must adopt a separate resolution, subject to the same voting, notice, and public hearing  
 3.24      requirements under paragraph (a), for each property the governing body approves to receive  
 3.25      the residential rental housing valuation exclusion. The resolution must state the valuation  
 3.26      exclusion percentage the property shall receive, which must be the same each year, subject  
 3.27      to the duration limit under subdivision 5.

3.28      Subd. 4. Eligibility. (a) A property located in a participating city is eligible for the  
 3.29      residential rental housing value exclusion applied under section 273.13, subdivision 36, if:

3.30      (1) the property is not classified in whole or in part as class 4d under section 273.13,  
 3.31      subdivision 25;

3.32      (2) construction of the property began on or after January 1, 2020; and

4.1 (3) the Minnesota Housing Finance Agency certifies to the county or local assessor that:

4.2 (i) at least 20 percent of the units in the property are available for residents whose  
4.3 household income at the time of initial occupancy does not exceed 60 percent of the greater  
4.4 of area or state median income, adjusted for family size, as determined by the United States  
4.5 Department of Housing and Urban Development; and

4.6 (ii) at least 80 percent of the available units are occupied by residents meeting the income  
4.7 requirement.

4.8 (b) By February 1 each assessment year, an application for certification under this  
4.9 subdivision must be filed by the property owner to the Minnesota Housing Finance Agency.  
4.10 The property owner must provide a copy of the application to the county or city assessor.  
4.11 The application must be filed on a form prescribed by the agency and must contain the  
4.12 property tax identification number, evidence that the property meets the requirements of  
4.13 paragraph (a), and any other information necessary for the Minnesota Housing Finance  
4.14 Agency to determine eligibility. The Minnesota Housing Finance Agency may charge an  
4.15 application fee approximately equal to the costs of processing and reviewing the applications.  
4.16 If imposed, the applicant must pay the application fee to the Minnesota Housing Finance  
4.17 Agency and the fee must be deposited in the housing development fund.

4.18 (c) By March 1 each assessment year, the Minnesota Housing Finance Agency must  
4.19 certify to the appropriate county or city assessor:

4.20 (1) the specific properties, identified by parcel identification numbers, that are eligible  
4.21 under this section to receive the exclusion for the current assessment year; and

4.22 (2) the specific properties, identified by parcel identification numbers, that received the  
4.23 exclusion in the previous assessment year but no longer meet the requirements under this  
4.24 section.

4.25 In making the certification, the Minnesota Housing Finance Agency must rely on the property  
4.26 owner's application and any other supporting information that the agency deems necessary.

4.27 Subd. 5. **Duration.** The governing body of a participating city shall determine the  
4.28 duration of the residential rental housing value exclusion for each eligible property, provided  
4.29 that the exclusion applies for at least ten but not more than 20 assessment years, except that  
4.30 when a property no longer meets the requirements of subdivision 4, the exclusion shall be  
4.31 removed at the beginning of the next assessment year.

4.32 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2021.

5.1 Sec. 3. Minnesota Statutes 2018, section 273.13, is amended by adding a subdivision to  
5.2 read:

5.3 Subd. 36. Residential rental housing value exclusion. (a) Prior to determining a  
5.4 property's net tax capacity under this section, property classified as class 4a under subdivision  
5.5 25, paragraph (a), shall be eligible for a residential rental housing market value exclusion  
5.6 as determined under paragraph (b).

5.7 (b) For a property that meets the requirements under section 273.129, the exclusion is  
5.8 up to 50 percent of the market value. The valuation shall be rounded to the nearest whole  
5.9 dollar, and may not be less than zero.

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

5.12 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2021.

5.13 Sec. 4. Minnesota Statutes 2018, section 276.04, subdivision 2, is amended to read:

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

6.1 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar  
6.2 amount of any special assessments, may be rounded to the nearest even whole dollar. For  
6.3 purposes of this section whole odd-numbered dollars may be adjusted to the next higher  
6.4 even-numbered dollar. The amount of market value excluded under section 273.11,  
6.5 subdivision 16, if any, must also be listed on the tax statement.

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

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

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

6.14 (2) the property's homestead market value exclusion under section 273.13, subdivision  
6.15 35, or the residential rental housing market value exclusion under section 273.13, subdivision  
6.16 36;

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

6.18 (4) the property's gross tax, before credits;

6.19 (5) for agricultural properties, the credits under sections 273.1384 and 273.1387;

6.20 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;  
6.21 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit  
6.22 received under section 273.135 must be separately stated and identified as "taconite tax  
6.23 relief"; and

6.24 (7) the net tax payable in the manner required in paragraph (a).

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

7.1 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2021.