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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 3046

05/03/2012 Authored by Westrom

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 property taxation; establishing a mandate relief credit; repealing the
1.3 homestead market value exclusion; providing a procedure for local governments
1.4 to opt out of state mandates; amending Minnesota Statutes 2011 Supplement,
1.5 sections 126C.01, subdivision 3; 273.13, subdivision 34; 273.1393; 276.04,
1.6 subdivision 2; 477A.011, subdivision 20; proposing coding for new law in
1.7 Minnesota Statutes, chapter 273; proposing coding for new law as Minnesota
1.8 Statutes, chapter 471B; repealing Minnesota Statutes 2011 Supplement, section
1.9 273.13, subdivision 35.

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

1.11 Section 1. Minnesota Statutes 2011 Supplement, section 126C.01, subdivision 3, is
1.12 amended to read:

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

1.23 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and
1.24 thereafter.

2.1 Sec. 2. Minnesota Statutes 2011 Supplement, section 273.13, subdivision 34, is
2.2 amended to read:

2.3 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a
2.4 portion of the market value of property owned by a veteran and serving as the veteran's
2.5 homestead under this section is excluded in determining the property's taxable market
2.6 value if the veteran has a service-connected disability of 70 percent or more as certified
2.7 by the United States Department of Veterans Affairs. To qualify for exclusion under this
2.8 subdivision, the veteran must have been honorably discharged from the United States
2.9 armed forces, as indicated by United States Government Form DD214 or other official
2.10 military discharge papers.

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

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

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

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

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

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

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the ~~market value exclusion under subdivision 35~~ mandate relief credit under section 273.1387, or classification under subdivision 22, paragraph (b).

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

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

(j) For purposes of this subdivision:

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxes payable in 2014 and thereafter.

Sec. 3. **[273.1387] MANDATE RELIEF CREDIT.**

Subdivision 1. Eligibility; credit amount. Each county auditor shall determine a mandate relief credit for each class 1a, 1b, and 2a homestead property within the county equal to 0.4 percent of the first \$75,000 of market value of the property minus 0.15 percent of the market value in excess of \$75,000. The credit amount may not be less than zero. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's

mandate relief credit. In the case of a property that is classified as part homestead and part nonhomestead, the credit shall apply only to the homestead portion of the property; however, 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 not all the spouses of owners occupy the property, then the credit 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's spouse is one-half of the couple's ownership percentage.

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

Subd. 3. **Payment.** (a) The commissioner of revenue shall reimburse each local taxing jurisdiction, other than school districts, for the tax reductions granted under this section in two equal installments on October 31 and December 26 of the taxes payable year for which the reductions are granted, including in each payment the prior year adjustments certified on the abstracts for that taxes payable year. The reimbursements related to tax increments shall be issued in one installment each year on December 26.

(b) The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of education, and the commissioner of education shall pay the reimbursement amounts to each school district as provided in section 273.1392.

Subd. 4. **Appropriation.** An amount sufficient to make the payments required by this section to taxing jurisdictions other than school districts is annually appropriated from the general fund to the commissioner of revenue. An amount sufficient to make the payments required by this section for school districts is annually appropriated from the general fund to the commissioner of education.

EFFECTIVE DATE. This section is effective for taxes payable in 2014 and thereafter.

Sec. 4. Minnesota Statutes 2011 Supplement, section 273.1393, is amended to read:

273.1393 COMPUTATION OF NET PROPERTY TAXES.

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

(1) disaster credit as provided in sections 273.1231 to 273.1235;

(2) powerline credit as provided in section 273.42;

(3) agricultural preserves credit as provided in section 473H.10;

(4) enterprise zone credit as provided in section 469.171;

(5) disparity reduction credit;

(6) conservation tax credit as provided in section 273.119;

(7) agricultural credit as provided in section 273.1384;

(8) mandate relief credit as provided in section 273.1387;

~~(8)~~ (9) taconite homestead credit as provided in section 273.135;

~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391; and

~~(10)~~ (11) the bovine tuberculosis zone credit, as provided in section 273.113.

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

EFFECTIVE DATE. This section is effective for taxes payable in 2014 and thereafter.

Sec. 5. Minnesota Statutes 2011 Supplement, section 276.04, subdivision 2, is amended to read:

Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The tax statement must not state or imply that property tax credits are paid by the state of Minnesota. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as

defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

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

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

- (1) the property's estimated market value under section 273.11, subdivision 1;
- ~~(2) the property's homestead market value exclusion under section 273.13, subdivision 35;~~
- ~~(3) (2)~~ the property's taxable market value after reductions under ~~sections~~ section 273.11, subdivisions 1a and 16, ~~and 273.13, subdivision 35;~~
- ~~(4) (3)~~ the property's gross tax, before credits;
- (4) the mandate relief credit under section 273.1387;
- (5) for homestead agricultural properties, the credit under section 273.1384;
- (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- (7) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current

year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

EFFECTIVE DATE. This section is effective for taxes payable in 2014 and thereafter.

Sec. 6. **[471B.01] DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of this chapter, the terms defined in this section have the meanings given them.

Subd. 2. **Local government.** "Local government" means a county, town, school district, or statutory or home rule charter city.

Subd. 3. **Local government of the same kind.** "Local government of the same kind" means any category of the following: cities, counties, school districts, or towns.

Subd. 4. **Same class.** "Same class" means cities of the same class.

Subd. 5. **School district.** "School district" means a common, independent, or special school district and excludes charter schools.

Subd. 6. **State mandate.** "State mandate" means a state law or rule specifically directed at or related to local government structure, operation, services, programs, or financing that:

(1) imposes a cost on a local government, whether or not the state appropriates money for the local government to cover the total costs of the mandate, or specifically authorizes the local government to impose a tax or fee to cover the costs;

(2) decreases revenue available to a local government without a commensurate decrease in services and programs required by the law or rule;

(3) makes a local government, or its officers or employees, civilly or criminally liable for failure to follow or enforce the law or rule;

(4) restricts the ability of a local government to establish services, programs, policies, plans, or goals, or restricts its ability to raise revenue or finance its services, programs, policies, plans, or goals; or

(5) implements or interprets federal law and, by its implementation or interpretation, increases or decreases programs, services, or funding levels.

Sec. 7. **[471B.02] REFORM OR OPT OUT RESOLUTION AND PROCEDURES.**

8.1 Subdivision 1. **Local procedure.** (a) A local government may, by written resolution
8.2 of the governing body after public notice and hearing, propose that a state mandate
8.3 imposed on all local governments of the same kind or class, except a state mandate under
8.4 section 471B.03, should not apply to the local government. A local government also may
8.5 include in a resolution recommendations for reforming a mandate. A local government
8.6 must adopt a separate resolution for each mandate that the local government proposes
8.7 should not apply to the local government. The resolution must:

8.8 (1) specifically cite the state law or rule that imposes the mandate on the local
8.9 government;

8.10 (2) identify any costs of complying with the mandate and the total amount of federal
8.11 and state funds available for complying with the mandate;

8.12 (3) state the reasons the local government needs to opt out of the state mandate and
8.13 may recommend mandate reforms to achieve greater efficiencies; and

8.14 (4) indicate how the local government will otherwise meet the objectives of the
8.15 mandate or why the objectives do not apply to the local government.

8.16 (b) Before voting on the resolution, the governing body must give adequate public
8.17 notice of the proposed resolution, including information on whether state or federal
8.18 funding for the local government might be adversely affected. The governing body must
8.19 hold at least one public hearing on the proposed resolution and provide opportunity for
8.20 public comment. The governing body must encourage public participation in the hearing
8.21 to determine the extent of public support for the proposed resolution.

8.22 (c) The proponent of the proposed resolution must identify at the hearing:

8.23 (1) the costs of complying with the mandate that exceed the state and federal funds
8.24 allocated to the district for purposes of the mandate and recommend reforms for achieving
8.25 greater efficiencies;

8.26 (2) any potential loss of state or federal revenue that might result from opting out of
8.27 the state mandate;

8.28 (3) other policy issues or effects that might result;

8.29 (4) the purposes for which the mandate was imposed;

8.30 (5) any persons or categories of persons who will be adversely affected if the local
8.31 government does not comply with the mandate; and

8.32 (6) the costs and benefits of the mandate compared to the costs and benefits of
8.33 inaction.

8.34 (d) A local government that adopts a resolution must file the resolution with the
8.35 state auditor.

8.36 Subd. 2. **State procedure.** The state auditor must:

(1) list on the state auditor's Web site all state mandates cited in a resolution filed with the state auditor, identifying for each mandate the local governments that adopted and filed a resolution to opt out of a mandate, and whether the threshold under subdivision 3 for opting out is met;

(2) keep a running total of the number and percent of local governments of the same kind and, if applicable, same class, that have filed a resolution to opt out; and

(3) notify the legislature when the threshold under subdivision 3 for opting out is met.

Subd. 3. Threshold and certification; legislative oversight. (a) The state auditor must notify the legislature when the auditor certifies that the minimum number of local governments of the same kind and, if applicable, same class file resolutions under the requirements of this chapter. The minimum number is set in paragraph (b).

(b) The minimum number of local governments of the same kind or class are:

(1) six counties;

(2) 25 home rule charter cities;

(3) 50 statutory cities;

(4) two cities of the first class;

(5) 14 cities of the second class;

(6) 11 cities of the third class;

(7) 50 cities of the fourth class;

(8) 75 towns; and

(9) 24 school districts.

Subd. 4. Opt out of reform implementation and later opting out of reforms. After initial opt-out resolutions are approved by the legislature and take effect, other local governments of the same kind and, if applicable, same class may file resolutions to opt out of the same mandate. The later-filed resolutions must be consistent with the law enacted in response to the initial opt-out resolutions and later-filed resolutions are only effective to the extent authorized by that law. Each of these takes effect 30 days after the auditor accepts the filing.

Sec. 8. Minnesota Statutes 2011 Supplement, section 477A.011, subdivision 20, is amended to read:

Subd. 20. **City net tax capacity.** "City net tax capacity" means (1) the net tax capacity computed using the net tax capacity rates in section 273.13 for taxes payable in the year of the aid distribution, and the market values, ~~after the exclusion in section 273.13, subdivision 35,~~ for taxes payable in the year prior to the aid distribution plus (2) a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2,

10.1 paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior
10.2 to that for which aids are being calculated. The market value utilized in computing city
10.3 net tax capacity shall be reduced by the sum of (1) a city's market value of commercial
10.4 industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3,
10.5 multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph
10.6 (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value
10.7 of tax increment financing districts as defined in section 469.177, subdivision 2, and (3)
10.8 the market value of transmission lines deducted from a city's total net tax capacity under
10.9 section 273.425. The city net tax capacity will be computed using equalized market values.

10.10 Sec. 9. **REPEALER.**

10.11 Minnesota Statutes 2011 Supplement, section 273.13, subdivision 35, is repealed.

10.12 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and
10.13 thereafter.