CHAPTER 273

TAXES; LISTING, ASSESSMENT

273.11 VALUATION OF PROPERTY.

[For text of subds 1 to 6, see M.S.1984]

Subd. 8. **Limited equity cooperative apartments.** For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A "limited equity cooperative" is a corporation organized under chapter 308, which has as its primary purpose the provision of housing and related services to its members, who must be persons or families of low and moderate income as defined in section 462A.03, subdivision 10, at the time they purchase their membership, and which meets the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

(1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;

(2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised consumer price index for all urban consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed $500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or

acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984, or a public agency.

A "limited equity cooperative apartment" is a dwelling unit owned or leased by a limited equity cooperative. If the dwelling unit is leased by the cooperative the lease agreement must meet the conditions for a cooperative lease stated in section 273.124, subdivision 6.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

[For text of subd 9, see M.S.1984]

History: *1Sp1985 c 14 art 4 s 35*

273.1104 IRON ORE, VALUE.

Subdivision 1. The term value as applied to iron ore in section 273.165, subdivision 2 and in section 273.13, subdivision 30, paragraph (b) shall be deemed to be three times the present value of future income notwithstanding the provisions of section 273.11. The present value of future income shall be determined by the commissioner of revenue in accordance with professionally recognized mineral valuation practice and procedure. Nothing contained herein shall be construed as requiring any change in the method of determining present value of iron ore utilized by the commissioner prior to the enactment hereof or as limiting any remedy presently available to the taxpayer in connection with the commissioner's determina-

tion of present value, or precluding the commissioner from making subsequent changes in the present worth formula.

[For text of subd 2, see M.S.1984]

History: *1Sp1985 c 14 art 4 s 36*

273.1105 [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: Subdivision 2 was also amended by Laws 1985, First Special Session chapter 14, article 4, section 37 to read as follows:

"Subd. 2. To qualify for valuation pursuant to subdivision 1, the owner of a building shall apply to the assessor prior to commencing a rehabilitation project. The assessor shall approve treatment pursuant to subdivision 1 for a building if: (a) the building is more than 25 years old; (b) the anticipated rehabilitation costs, which are those expenses incurred in the process of renovation, including labor, materials, and management costs, exceed 60 percent of the estimated market value of the building at the time when the application is made; (c) the rehabilitation is completed within one year and prior to the January 2 assessment date; (d) the building contains more than three rental units; (e) the building is not used as a hotel or motel in which the rental units are used by tenants for rental periods of less than 30 days; (f) the property is not classified pursuant to section 273.13, subdivision 28, paragraph (a) or (c); (g) not more than 25 percent of the residential units in the building are subsidized through section 8 of the U.S. Housing Act of 1937, United States Code, title 42, section 1437(f); and (h) limits the rehabilitation to the original structure."

273.111 AGRICULTURAL PROPERTY TAX.

[For text of subds 1 to 10, see M.S.1984]

Subd. 11. The payment of special local assessments levied after June 1, 1967 for improvements made to any real property described in subdivision 3 together with the interest thereon shall, on timely application as provided in subdivision 8, be deferred as long as such property meets the conditions contained in subdivisions 3 and 6. If special assessments against the property have been deferred pursuant to this subdivision, the governmental unit shall file with the county recorder in the county in which the property is located a certificate containing the legal description of the affected property and of the amount deferred. When such property no longer qualifies under subdivisions 3 and 6, all deferred special assessments plus interest shall be payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest shall be payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalty shall not be levied on any such special assessments if timely paid.

[For text of subds 11a to 14, see M.S.1984]

History: *1Sp1985 c 14 art 20 s 2*

273.115 STATE PAID WETLANDS CREDIT.

[For text of subds 1 to 6, see M.S.1984]

Subd. 7. The total credits allowed by subdivision 1 shall be deducted from the gross property tax before determination of the homestead credit provided by section 273.13, subdivisions 22 and 23 and the taconite homestead credit provided by section 273.135.

History: *1Sp1985 c 14 art 4 s 38*

273.116 STATE PAID NATIVE PRAIRIE CREDIT.

[For text of subds 1 to 6, see M.S.1984]

Subd. 7. The total credits allowed by subdivision 1 shall be deducted from the gross property tax before determination of the homestead credit provided by section

273.13, subdivisions 22 and 23 and the taconite homestead credit provided by section 273.135.

History: *1Sp1985 c 14 art 4 s 39*

273.118 TAX PAID IN RECOGNITION OF CONGRESSIONAL MEDAL OF HONOR.

An owner of homestead property who submits to the commissioner of revenue his property tax statement and reasonable proof that the owner of the property:

(a) is a veteran as defined in section 197.447;

(b) was a resident of this state for at least six months before entering military service, or has been a resident of this state for five consecutive years before submitting the statement and proof; and

(c) has been awarded the congressional medal of honor;

shall be paid by the commissioner of revenue, within 30 days after the commissioner receives the statement and proof, the amount of the owner's property tax liability as shown on the statement, up to $2,000. The surviving spouse of a property owner who has received a payment under this section may receive payment of property taxes under this section as long as the spouse continues to own and occupy the property for which the taxes were paid under this section and the property continues to be a homestead. Property taxes paid under this section reduce property taxes payable for purposes of chapter 290A.

History: *1Sp1985 c 14 art 4 s 40*

273.121 VALUATION OF REAL PROPERTY, NOTICE.

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be assessed or reclassified that year if the person's address is known to the assessor, otherwise the occupant of the property. In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor shall not deny homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is a resident of a nursing home or a boarding care facility. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of review or equalization. It shall contain the amount of the valuation in terms of market value, the new classification, the assessor's office address, and the dates, places, and times set for the meetings of the local board of review or equalization and the county board of equalization. If the assessment roll is not complete, the notice shall be sent by ordinary mail at least ten days prior to the date on which the board of review has adjourned. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from his governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and if he is satisfied that the assessor does not have the necessary funds, issue his certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting

tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

History: *1Sp1985 c 14 art 4 s 41*

273.123 REASSESSMENT OF HOMESTEAD PROPERTY DAMAGED BY A DISASTER.

Subdivision 1. **Definitions.** For purposes of this section (a) "disaster or emergency" means

(1) a major disaster as determined by the president of the United States;

(2) a natural disaster as determined by the secretary of agriculture;

(3) a disaster as determined by the administrator of the small business administration; or

(4) a tornado, storm, flood, earthquake, landslide, explosion, fire or similar catastrophe, as a result of which a local emergency is declared pursuant to section 12.29.

(b) "disaster or emergency area" means an area

(1) in which the president of the United States, the secretary of agriculture, or the administrator of the small business administration has determined that a disaster exists pursuant to federal law or in which a local emergency has been declared pursuant to section 12.29; and

(2) for which an application by the local unit of government requesting property tax relief under this section has been received by the governor and approved by the executive council.

(c) "homestead property" means homestead dwelling that is classified as class 1a, 1b, or 2a property or a manufactured home or sectional home used as a homestead and taxed pursuant to section 274.19, subdivision 8, paragraph (b), (c), or (d).

[For text of subds 2 to 3, see M.S.1984]

Subd. 4. **State reimbursement.** The county auditor shall calculate the tax on the property described in subdivision 2 based on the assessment made on January 2 of the year in which the disaster or emergency occurred. The difference between the tax determined on the January 2 assessed value and the tax actually payable based on the reassessed value determined under subdivision 2 shall be reimbursed to each taxing jurisdiction in which the damaged property is located. The amount shall be certified by the county auditor and reported to the commissioner of revenue. The commissioner shall make the payments to the taxing jurisdictions containing the property at the time distributions are made pursuant to section 273.13, subdivision 15a, in the same proportion that the ad valorem tax is distributed.

Subd. 5. **Computation of credits.** The amounts of any credits or tax relief which reduce the gross tax shall be computed upon the reassessed value determined under subdivision 2. Payment shall be made pursuant to section 273.13, subdivision 15a. For purposes of the property tax refund, property taxes payable, as defined in section 290A.03, subdivision 13, and net property taxes payable, as defined in section 290A.04, subdivision 2d, shall be computed upon the reassessed value determined under subdivision 2.

[For text of subds 6 and 7, see M.S.1984]

History: *1985 c 300 s 5; 1Sp1985 c 14 art 4 s 42,43*

273.124 HOMESTEAD DETERMINATION; SPECIAL RULES.

Subdivision 1. **General rule.** Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a homestead. Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

The assessor shall require proof, by affidavit or otherwise, of the facts upon which classification as a homestead may be determined.

For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner shall apply for it to the assessor by July 1 of the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

Subd. 2. **Townhouses; common areas; condominiums; cooperatives.** (a) The total value of townhouse property, including the value added as provided in this paragraph, must have the benefit of homestead treatment or other special classification if the townhouse otherwise qualifies. The value of townhouse property must be increased by the value added by the right to use any common areas in connection with the townhouse development. The common areas of the development must not be separately taxed.

(b) Condominium property qualifying as a homestead under section 515A.1-105 and property owned by a cooperative association that qualifies as a homestead must have the benefit of homestead treatment or other special classification if the condominium or cooperative association property otherwise qualifies.

(c) If the condominium, townhouse, or cooperative association property is owned by the occupant and used for the purposes of a homestead but is located upon land which is leased, that leased land must be valued and assessed as if it were homestead property within class 1 if all of the following criteria are met:

(1) the occupant is using the property as his permanent residence;

(2) the occupant or the cooperative association is paying the ad valorem property taxes and any special assessments levied against the land and structure;

(3) the occupant or the cooperative association has signed a land lease; and

(4) the term of the land lease is at least 50 years, notwithstanding the fact that the amount of the rental payment may be renegotiated at shorter intervals.

Subd. 3. **Cooperatives and charitable corporations.** When one or more dwellings, or one or more buildings which each contain several dwelling units, are owned by a corporation or association organized under sections 308.05 to 308.18, and each person who owns a share or shares in the corporation or association is entitled to occupy a dwelling, or dwelling unit in the building, the corporation or association may claim homestead treatment for each dwelling, or for each unit in case of a building containing several dwelling units, for the dwelling or for the part of the value of the building occupied by a shareholder. Each dwelling or unit must be designated by legal description or number, and the assessed value of each dwelling that qualifies for assessment under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The assessed value of the building or buildings containing several dwelling units is the sum of the assessed values of each of the respective units comprising the building. To qualify

for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a dwelling or dwelling unit owned by the corporation or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

Subd. 4. **Nonprofit corporations.** When a building containing several dwelling units is owned by an entity organized under chapter 317 and operating as a nonprofit corporation which enters into membership agreements with persons under which they are entitled to life occupancy in a unit in the building, homestead classification must be given to each unit so occupied and the entire building must be assessed in the manner provided in subdivision 3 for cooperatives and charitable corporations.

Subd. 5. **Continuing care facilities.** When a building containing several dwelling units is owned by an entity which is regulated under the provisions of chapter 80D and operating as a continuing care facility enters into residency agreements with persons who occupy a unit in the building and the residency agreement entitles the resident to occupancy in the building after personal assets are exhausted and regardless of ability to pay the monthly maintenance fee, homestead classification shall be given to each unit so occupied and the entire building shall be assessed in the manner provided in subdivision 1 for cooperatives and charitable corporations.

Subd. 6. **Leasehold cooperatives.** When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed for each dwelling unit occupied by a member of the cooperative. To qualify for the treatment provided by this subdivision, the following conditions must be met: (a) the cooperative association must be organized under sections 308.05 to 308.18; (b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years; (c) the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and (d) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 1, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Subd. 7. **Leased buildings or land.** For purposes of class 1 determinations, homesteads include:

(a) buildings and appurtenances owned and used by the occupant as a permanent residence which are located upon land the title to which is vested in a person or entity other than the occupant;

(b) all buildings and appurtenances located upon land owned by the occupant and used for the purposes of a homestead together with the land upon which they are located, if all of the following criterial are met:

(1) the occupant is using the property as his permanent residence;

(2) the occupant is paying the property taxes and any special assessments levied against the property;

(3) the occupant has signed a lease which has an option to purchase the buildings and appurtenances; and

(4) the term of the lease is at least five years.

Any taxpayer meeting all the requirements of this paragraph must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, as soon as possible after signing the lease agreement and occupying the buildings as his homestead.

Subd. 8. **Homestead owned by family farm corporation or partnership.** (a) Each family farm corporation and each partnership operating a family farm is entitled to class 1 assessment for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it. "Family farm corporation" and "family farm" have the meanings given in section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership must also be assessed as class 1 property, but the property eligible is limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and does not include any other structures that may be located on it.

Subd. 9. **Homestead established after assessment date.** Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead on June 1 of a year, constitutes class 1 to the extent of one-half of the valuation that would have been includable in class 1.

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, prior to June 15 of the year of occupancy in order to qualify under this subdivision.

The county assessor and the county auditor may make the necessary changes on their assessment and tax records to provide for proper homestead classification as provided in this subdivision.

The owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, regardless of whether or not the notification has been timely filed, may be entitled to receive homestead classification by proper application as provided in section 270.07 or 375.192.

The county assessor shall publish in a newspaper of general circulation within the county no later than June 1 of each year a notice informing the public of the requirement to file an application for homestead prior to June 15.

Subd. 10. **Real estate purchased for occupancy as a homestead.** Real estate purchased for occupancy as a homestead must be classified as class 1 if the

purchaser is prevented from obtaining possession on January 2 next following the purchase by reason of federal or state rent control laws or regulations.

Subd. 11. **Limitation on homestead classification.** If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as class 1a, 1b, or 2a or the value of the first tier of assessment percentages provided under section 273.13, subdivision 22, paragraph (a) or (b) or subdivision 23, paragraph (a) is entitled to homestead treatment, except as provided in subdivision 26 for buildings containing fewer than four residential units and for a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead.

If the assessor has classified a property as both homestead and nonhomestead, the homestead credit provided in section 273.13, subdivisions 22 and 23, and the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

Subd. 12. **Homestead of member of United States armed forces.** Real estate actually occupied and used for the purpose of a homestead by a member of the armed forces of the United States, or by a member of his immediate family shall, notwithstanding the absence of the person, while on active duty with the armed forces of the United States or his family under such conditions, be classified as a homestead provided that absence of the owner is solely by reason of service in the armed forces, and that he intends to return as soon as discharged or relieved from service, and claims it as his homestead. Every person who, for the purpose of obtaining or aiding another in obtaining any benefit under this subdivision, shall knowingly make or submit to any assessor any affidavit or other statement which is false in any material matter shall be guilty of a felony.

History: *1Sp1985 c 14 art 4 s 44*

NOTE: This section is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

273.13 CLASSIFICATION OF PROPERTY.

[For text of subd 1, see M.S.1984]

Subd. 2. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986, payable in 1987 and thereafter, see subdivision 30 and section 273.165.

Subd. 2a. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986, payable in 1987 and thereafter, see section 273.165.

Subd. 3. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986, payable in 1987 and thereafter, see section 274.19, subdivision 8.

Subd. 4. **Class 3.** (a) Tools, implements and machinery of an electric generating, transmission or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures, all agricultural land, except as provided by classes 1, 3b, 3e, shall constitute class 3 and shall be valued and assessed at 33-1/3 percent of the market value thereof, except as provided in clause (b). All buildings and structures assessed as personal property and situated upon land of the state of Minnesota or the United States government which is rural in character and devoted or adaptable to rural but not necessarily agricultural use shall be assessed based upon the use made of the building or structure. Except as provided in subdivision 5a, all real property devoted to temporary and seasonal residential occupancy for recreational purposes, and which is not devoted to commercial purposes for more than 200 days in the year

preceding the year of assessment, shall be class 3 property and assessed accordingly. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for such use. Class 3 shall also include commercial use real property used exclusively for recreational purposes in conjunction with class 3 property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 200 days in the year preceding the year of assessment and is located within two miles of the class 3 property with which it is used.

Class 3 shall also include real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this subdivision, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1954, as amended through December 31, 1984. For purposes of this subdivision, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 4. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

(b) Agricultural land which is classified as class 3 shall be assessed at 18 percent of its market value. Real property devoted to temporary and seasonal residential occupancy for recreation purposes which is classified as class 3 shall be assessed at 21 percent of its market value. Real property owned by a nonprofit community service oriented organization which is classified as class 3 shall be assessed at 21 percent of its market value.

NOTE: Subdivision 4 is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98 effective for taxes levied in 1986, payable in 1987 and thereafter. See subdivisions 23, 25, and 27.

Subd. 5a. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986, payable in 1987 and thereafter, see subdivision 22.

Subd. 6. **Class 3b.** Agricultural land, except as provided by class 1, which is used for the purposes of a homestead shall constitute class 3b and shall be valued and assessed as follows: the first $64,000 of market value shall be valued and assessed at 14 percent; the remaining market value shall be valued and assessed at 18 percent. The maximum amount of the market value of the homestead bracket subject to the 14 percent rate shall be adjusted by the commissioner of revenue as provided in section 273.1311. The property tax to be paid on class 3b property as otherwise determined by law less any reduction received pursuant to sections 124.2137, 273.123, and 473H.10 shall be reduced by 54 percent of the tax. The amount of the reduction shall not exceed $700. Noncontiguous land shall constitute class 3b only if the homestead is classified as class 3b and the detached land is

located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land as used herein, and in section 124.2137, shall mean contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land and land included in federal farm programs.

Real estate of less than ten acres used principally for raising poultry, livestock, fruit, vegetables or other agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

The assessor shall determine and list separately on his records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified class 3b. If agricultural land is classified class 3b, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 3b and is entitled to the homestead credit.

NOTE: Subdivision 6 is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98 effective for taxes levied in 1986, payable in 1987 and thereafter. See subdivision 23.

Subd. 6a. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986 and payable in 1987 and thereafter, see section 273.124.

Subd. 7. **Class 3c, 3cc.** All other real estate and class 2a property, except as provided by classes 1 and 3cc, which is used for the purposes of a homestead, shall constitute class 3c, and shall be valued and assessed as follows: the first $64,000 of market value shall be valued and assessed at 18 percent; and the remaining market value shall be valued and assessed at 29 percent for taxes levied in 1985 and payable in 1986, and at 28 percent for taxes levied in 1986 and payable in 1987 and thereafter. The maximum amounts of the market value of the homestead brackets subject to the 18 percent rate shall be adjusted by the commissioner of revenue as provided in section 273.1311. The property tax to be paid on class 3c property as otherwise determined by law, less any reduction received pursuant to sections 273.123 and 473H.10 shall be reduced by 54 percent of the tax imposed on the first $68,000 of market value. The amount of the reduction shall not exceed $700.

Class 3cc property shall include real estate or manufactured homes used for the purposes of a homestead by (a) any blind person, if the blind person is the owner thereof or if the blind person and his or her spouse are the sole owners thereof; or (b) any person (hereinafter referred to as veteran) who: (1) served in the active military or naval service of the United States and (2) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair, and (3) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as his or her homestead; or (c) any person who: (1) is permanently and totally disabled and (2) receives 90 percent or more of his total income from (i) aid from any state as a result of that disability, or (ii) supplemental security income for the

disabled, or (iii) workers' compensation based on a finding of total and permanent disability, or (iv) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases, or (v) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5, or (vi) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability. Property shall be classified and assessed pursuant to clause (a) only if the commissioner of human services certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of human services shall provide a copy of the certification to the commissioner of revenue. Class 3cc property shall be valued and assessed as follows: in the case of agricultural land, including a manufactured home, used for a homestead, the first $32,000 of market value shall be valued and assessed at five percent, the next $32,000 of market value shall be valued and assessed at 14 percent, and the remaining market value shall be valued and assessed at 18 percent; and in the case of all other real estate and manufactured homes, the first $32,000 of market value shall be valued and assessed at five percent, the next $32,000 of market value shall be valued and assessed at 18 percent, and the remaining market value shall be valued and assessed at 29 percent for taxes levied in 1985 and payable in 1986, and at 28 percent for taxes levied in 1986 and payable in 1987 and thereafter. In the case of agricultural land including a manufactured home used for purposes of a homestead, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 14 percent rates; and for all other real estate and manufactured homes, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 18 percent rates. Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings him an income. The property tax to be paid on class 3cc property as otherwise determined by law, shall be reduced by 54 percent of the tax imposed on the first $68,000 of market value. The amount of the reduction shall not exceed $700.

For purposes of this subdivision, homestead property which qualifies for the classification ratios and credits provided in this subdivision shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner shall apply for it to the assessor by July 1 of the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

NOTE: Subdivision 7 is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98 effective for taxes levied in 1986 and payable in 1987 and thereafter. See subdivision 22 and section 273.124.

Subd. 7a. **Percentage of market value.** Except as otherwise provided for the purpose of determining tax limitations established by statute or by charter, class 2a and 1a property shall be figured at 33-1/3 percent and 40 percent of the market value thereof, respectively.

Subd. 7b. [Repealed, 1Sp1985 c 14 art 4 s 98]

Subd. 7c. [Repealed, 1Sp1985 c 14 art 4 s 98]

Subd. 7d. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: Subdivisions 7b to 7d are repealed effective for taxes levied in 1986, payable in 1987 and thereafter. See section 273.124.

Subd. 8a. **Class 3e.** Real estate, rural in character, and used exclusively for the purpose of growing trees for timber, lumber, wood and wood products shall constitute class 3e, and shall be valued and assessed at 18 percent of the market value thereof.

NOTE: Subdivision 8a is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98 effective for taxes levied in 1986, payable in 1987 and thereafter. See subdivision 23.

Subd. 9. **Class 4a, 4b, 4c, and 4d.** (1) All property not included in the preceding classes shall constitute class 4a and shall be valued and assessed at 43 percent of the market value thereof, except as otherwise provided in this subdivision.

(2) Real property which is not improved with a structure and which is not utilized as part of a commercial or industrial activity shall constitute class 4b and shall be valued and assessed at 40 percent of market value.

(3) Commercial and industrial property, except as provided in this subdivision, shall constitute class 4c and shall be valued and assessed at 28 percent of the first $60,000 of market value and 43 percent of the remainder, provided that in the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel shall qualify for the 28 percent assessment, and in the case of other commercial or industrial property owned by one person or entity, only one parcel in each county shall qualify for the 28 percent assessment.

(4) Employment property defined in section 273.1313, during the period provided in section 273.1313, shall constitute class 4d and shall be valued and assessed at 20 percent of the first $50,000 of market value and 21.5 percent of the remainder, except that for employment property located in an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), the first $60,000 of market value shall be valued and assessed at 28 percent and the remainder shall be assessed and valued at 38.5 percent, unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 273.1314, subdivision 9, paragraph (a).

NOTE: Subdivision 9 is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98 effective for taxes levied in 1986 and payable in 1987 and thereafter. See subdivisions 24 and 31.

Subd. 10. [Repealed, 1Sp1985 c 14 art 4 s 98]

Subd. 11. [Repealed, 1Sp1985 c 14 art 4 s 98]

Subd. 12. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: Subdivisions 10 to 12 are repealed effective for taxes levied in 1986, payable in 1987 and thereafter. See section 273.124.

Subd. 14a. **Buildings and appurtenances on land not owned by occupant.** The property tax to be paid in respect of the value of all buildings and appurtenances thereto owned and used by the occupant for the purposes of a homestead, which are located upon land subject to property taxes and the title to which is vested in a person or entity other than the occupant, for all purposes shall be reduced by 54 percent of the amount of the tax in respect of the value not in excess of $68,000 as otherwise determined by law, but not by more than $700.

NOTE: Subdivision 14a is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98 effective for taxes levied in 1986, payable in 1987 and thereafter. See section 273.124.

Subd. 15a. **General fund, replacement of revenue.** (1) Payment from the general fund shall be made, as provided herein, for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in subdivisions 22 and 23.

(2) Each county auditor shall certify, not later than May 1 of each year to the commissioner of revenue the amount of reduction resulting from subdivisions 22 and 23 in his county. This certification shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review such certifications to determine their accuracy. He may make such changes in the certification as he may deem necessary or return a certification to the county auditor for corrections.

(3) Based on current year tax data reported in the abstracts of tax lists, the commissioner of revenue shall annually determine the taxing district distribution of the amounts certified under clause (2). The commissioner of revenue shall pay to each taxing district, other than school districts, its total payment for the year in equal installments on or before July 15, August 15, September 15, October 15, November 15, and December 15 of each year.

Subd. 16. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986, payable in 1987 and thereafter, see section 273.124.

Subd. 17. [Repealed, 1Sp1985 c 14 art 4 s 98]

Subd. 17a. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: Subdivisions 17 and 17a are repealed effective for taxes levied in 1986, payable in 1987 and thereafter. See subdivision 28.

Subd. 17b. **Valuation of farmers home administration property in municipalities of under 10,000.** (a) Notwithstanding any other provision of law, except as provided in clause (b), any structure

(1) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration,

(2) located in a municipality of less than 10,000 population,

(3) financed by a direct loan or insured loan from the farmers home administration, and

(4) which qualifies under subdivision 17a, shall, for 15 years from the date of the completion of the original construction or for the original term of the loan, be assessed at ten percent of the market value thereof, provided that the fair market value as determined by the assessor is based on the normal approach to value using normal unrestricted rents.

(b) A structure described in clause (a) shall be assessed at 20 percent of its market value, but only in proportion to its occupancy by elderly persons or low and moderate income families as defined above unless (1) construction of the structure had been commenced prior to January 1, 1984; or (2) the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or (3) financing of the project had been approved by a federal or state agency prior to June 30, 1983.

NOTE: Subdivision 17b is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98, effective for taxes levied in 1986 and payable in 1987 and thereafter. See subdivision 28.

Subd. 17c. [Repealed, 1Sp1985 c 14 art 4 s 98]

Subd. 17d. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: Subdivisions 17c and 17d are repealed effective for taxes levied in 1986 and payable in 1987 and thereafter. See subdivision 28.

Subd. 19. **Class 3d, 3dd.** Residential real estate containing four or more units, other than seasonal residential, recreational and homesteads shall be classified as class 3d property and shall have a taxable value equal to 34 percent of market value.

Residential real estate containing three or less units, other than seasonal residential, recreational and homesteads, shall be classified as class 3dd property and shall have a taxable value equal to 28 percent of market value.

Residential real estate as used in this subdivision means real property used or held for use by the owner thereof, or by his tenants or lessees as a residence for rental periods of 30 days or more, but shall not include homesteads, or real estate devoted to temporary or seasonal residential occupancy for recreational purposes. Where a portion of a parcel of property qualified for class 3d or 3dd and a portion does not qualify for class 3d or 3dd the valuation shall be apportioned according to the respective uses.

Residential real estate containing less than four units when entitled to homestead classification for one or more units shall be classed as 3b, 3c or 3cc according to the provisions of subdivisions 6 and 7. A single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead must be classified as 3b, 3c, or 3cc as part of the owner's homestead according to the provisions of subdivisions 6 and 7. If more than one dwelling unit is attached to the structure, the units must be assessed as class 3d or 3dd property.

For purposes of this subdivision, class 3d also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided.

For purposes of this subdivision, class 3dd shall also include post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing.

NOTE: Subdivision 19 is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98 effective for taxes levied in 1986 and payable in 1987 and thereafter. See subdivisions 25 and 26.

Subd. 20. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986 and payable in 1987 and thereafter, see subdivision 26.

Subd. 21. [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986 and payable in 1987 and thereafter, see section 273.124.

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first $64,000 of market value of class 1a property must be assessed at 18 percent of its market value. The homestead value of class 1a property that exceeds $64,000 must be assessed at 28 percent of its value.

(b) Class 1b property includes real estate or manufactured homes used for the purposes of a homestead by

(1) any blind person, if the blind person is the owner thereof or if the blind person and his or her spouse are the sole owners thereof; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the

nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as his or her homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of his or her total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability.

Property is classified and assessed pursuant to clause (1) only if the commissioner of human services certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of human services shall provide a copy of the certification to the commissioner of revenue.

Class 1b property is valued and assessed as follows: in the case of agricultural land, including a manufactured home, used for a homestead, the first $32,000 of market value shall be valued and assessed at five percent, the next $32,000 of market value shall be valued and assessed at 14 percent, and the remaining market value shall be valued and assessed at 18 percent; and in the case of all other real estate and manufactured homes, the first $32,000 of market value shall be valued and assessed at five percent, the next $32,000 of market value shall be valued and assessed at 18 percent, and the remaining market value shall be valued and assessed at 28 percent. In the case of agricultural land including a manufactured home used for purposes of a homestead, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 18 percent rates; and for all other real estate and manufactured homes, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 18 percent rates. Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings him an income.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner. It must be assessed at 12 percent of market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

(d) The tax to be paid on class 1a or class 1b property, less any reduction received pursuant to sections 273.123 and 473H.10, shall be reduced by 54 percent of

the tax imposed on the first $68,000 of market value. The amount of the reduction shall not exceed $700.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 23. **Class 2.** (a) Class 2a property is agricultural land that is homesteaded, together with the house and garage. The first $64,000 of market value of an agricultural homestead is valued at 14 percent. The remaining value of class 2a property is assessed at 18 percent of market value.

Noncontinguous land shall constitute class 2a only if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified class 2a. If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

The tax to be paid on class 2a property, less any reduction received pursuant to sections 124.2137, 273.123, and 473H.10 shall be reduced by 54 percent of the tax. The amount of the reduction shall not exceed $700.

(b) Class 2b property is real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products. It is assessed at 18 percent of market value.

(c) Class 2c Property is real estate that is nonhomestead agricultural land. It is assessed at 18 percent of market value.

Agricultural land as used in this section shall mean contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land and land included in federal farm programs.

Real estate of less than ten acres used principally for raising poultry, livestock, fruit, vegetables or other agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

The assessor shall determine and list separately on his records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 24. **Class 3.** (a) Commercial and industrial property is class 3a. It is assessed at 28 percent of the first $60,000 of market value and 43 percent for the market value over $60,000. In the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel may qualify for the 28 percent assessment. In the case of other commercial or industrial property owned by one person or entity, only one parcel in each county may qualify for the 28 percent assessment.

(b) Employment property defined in section 273.1313, during the period provided in section 273.1313, shall constitute class 3b and shall be valued and assessed at 20 percent of the first $50,000 of market value and 21.5 percent of the remainder, except that for employment property located in an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), the

first $60,000 of market value shall be valued and assessed at 28 percent and the remainder shall be assessed and valued at 38.5 percent, unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 273.1314, subdivision 9, paragraph (a).

(c) Real property which is not improved with a structure and which is not utilized as part of a commercial or industrial activity shall constitute class 3c and shall be valued and assessed at 40 percent of market value.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property is assessed at 34 percent of market value.

(b) Class 4b is tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures. Class 4b property is assessed at 33-1/3 percent of market value.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 26. **Class 5.** (a) Residential real estate containing less than four units, other than seasonal residential, recreational, and homesteads, is class 5a. Class 5a shall also include post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing. Class 5a property is assessed at 28 percent of market value.

(b) Structures of five stories or more and constructed with materials meeting the requirements for type I or II construction as defined in the state building code, if at least 90 percent of the structure is used or to be used as apartment housing, is class 5b. Class 5b property is assessed at 25 percent of market value. The 25 percent assessment ratio applies to these structures for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is earlier.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 27. **Class 6.** (a) Except as provided in subdivision 22, real property devoted to temporary and seasonal residential occupancy for recreation purposes is class 6a.

Class 6a property also includes real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for the use. Class 6a shall also include commercial use real property used exclusively for recreational purposes in conjunction with class 6a property devoted to temporary and seasonal residential occupancy

for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 200 days in the year preceding the year of assessment and is located within two miles of the class 6a property with which it is used. Class 6a property and the remainder of class 1 resorts is assessed at 21 percent.

(b) Class 6b is real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this subdivision, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1954, as amended through December 31, 1984. For purposes of this subdivision, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity. Class 6b property is assessed at 21 percent of market value.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 28. **Class 7.** (a) Class 7a is a structure that is situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or regulations promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof. Class 7a property must, for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan, be assessed at 20 percent of the market value.

(b) Class 7b is a structure which is

(1) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended, and

(2) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Class 7b property must, for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter, be assessed at 20 percent of its market value.

(c) Class 7c is any structure

(1) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration;

(2) located in a municipality of less than 10,000 population; and

(3) financed by a direct loan or insured loan from the farmers home administration;

Class 7c property must be assessed at ten percent of its market value for 15 years from the date of the completion of the original construction or for the original term of the loan except that if (1) construction of the structure had been commenced after December 31, 1983; and (2) the project had been approved by the governing body of the municipality in which it is located after June 30, 1983; and (3) financing of the project had been approved by a federal or state agency after June 30, 1983, it must be assessed at 20 percent.

The 20 percent and ten percent assessment ratios apply to the properties described in paragraphs (a), (b), and (c) only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983.

For all properties described in paragraphs (a), (b), and (c), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

The provisions of paragraphs (a) and (c) apply only to nonprofit and limited dividend entities.

(d) Class 7d property is a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families. Class 7d land and improvements, if any, shall be assessed at 20 percent of the market value. This paragraph shall not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this paragraph, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area as determined by the United States Secretary of Housing and Urban Development. For purposes of this paragraph, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (1) it is a nonprofit corporation organized under chapter 317; (2) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (3) it limits membership with voting rights to residents of the designated community; and (4) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 29. **Class 8.** Distribution lines, and the attachments and appurtenances to them, used primarily for supplying electricity to farmers at retail, as described in section 273.38 is class 8 and is assessed at five percent of market value.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 30. **Class 9.** (a) Unmined iron ore is class 9a and is assessed at 50 percent of market value.

(b) Class 9b consists of all low-grade iron-bearing formations as defined in section 273.14. Class 9b shall be assessed at the following percentages of its value: If the tonnage recovery is less than 50 percent and not less than 49 percent, the assessed value shall be 48-1/2 percent of the value; if the tonnage recovery is less than 49 percent and not less than 48 percent, the assessed value shall be 47 percent of the value; and for each subsequent reduction of one percent in tonnage recovery, the percentage of assessed value to value shall be reduced an additional 1-1/2 percent of the value, but the assessed value shall never be less than 30 percent of the value. The land, exclusive of the formations, shall be assessed as otherwise provided by law. The commissioner of revenue may estimate the reasonable market value of the iron ore on any parcel of land which at the assessment date is considered uneconomical to mine.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

Subd. 31. **Class 10.** All property not included in any other class is class 10 property and is assessed at 43 percent of market value.

NOTE: This subdivision is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

History: *1985 c 300 s 6; 1Sp1985 c 14 art 3 s 5-12; art 4 s 45-56*

273.1311 FLEXIBLE HOMESTEAD BRACKETS.

The maximum amount of the market value of the homestead brackets shall be adjusted as provided in this section.

For taxes payable in 1987 and subsequent years, the commissioner shall adjust the brackets used in the preceding assessment by the estimated percentage increase in the statewide average assessors' estimated market value, as equalized by the state board of equalization, of a residential home for the current assessment over the previous assessment. The revised bracket shall be rounded to the nearest $1,000, except that the brackets applicable to class 1b property shall be rounded to the nearest $500. The commissioner of revenue shall determine and announce the revised bracket on December 15 of each year preceding the assessment date.

History: *1Sp1985 c 14 art 4 s 57*

NOTE: This section, as amended by Laws 1985, First Special Session chapter 14, article 4, section 57, is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

NOTE: This section was also amended by Laws 1985, First Special Session chapter 14, article 3, section 13, to read as follows:

"273.1311 **Flexible homestead brackets.**

The maximum amount of the market value of the homestead brackets shall be adjusted as provided in this section.

For taxes payable in 1987 and subsequent years, the commissioner shall adjust the brackets used in the preceding assessment by the estimated percentage increase in the statewide average assessors' estimated market value, as equalized by the state board of equalization, of a residential home for the current assessment over the previous assessment. The revised bracket shall be rounded to the nearest $1,000, except that the brackets applicable to class 3cc property shall be rounded to the nearest $500. The commissioner of revenue shall determine and announce the revised bracket on December 15 of each year preceding the assessment date."

273.1312 DESIGNATION OF ENTERPRISE ZONES.

[For text of subds 1 and 2, see M.S.1984]

Subd. 3. **Duration.** The designation of an area as an enterprise zone shall be effective for seven years after the date of designation except designation of areas pursuant to subdivision 4, paragraph (c), clause (4), shall be effective for 30 years after the date of designation.

Subd. 4. **Eligibility requirements.** An area is eligible for designation if the following requirements are met:

(a) The boundary of the zone or each subdivision of the zone is continuous and includes vacant or underutilized lands or buildings.

(b) The area of the zone is less than 400 acres. The total market value of the taxable property contained in the zone at the time of application is less than $100,000 per acre or $300,000 per acre for an area located wholly within a first class city. A zone which is located in a city of the third or fourth class may be divided into two to four separate subdivisions which need not be contiguous with each other. Each subdivision must contain not less than 100 acres. The restrictions provided by this paragraph shall not apply to areas designated pursuant to paragraph (c), clause (2), (3), or (4).

(c) (1) The proposed zone is located within an economic hardship area, as established by meeting two or more of the following criteria:

(A) the number of residential housing units within the area which are substandard is 15 percent or greater under criteria prescribed by the commissioner using data collected by the bureau of the census or data submitted by the municipality and approved by the commissioner;

(B) the percentage of households within the area that fall below the poverty level, as determined by the United States Census Bureau, is 20 percent or greater;

(C) (i) the total market value of commercial and industrial property in the area has declined over three of the preceding five years, or (ii) the total market value of all property in the area has declined or it has increased less than 10.5 percent over the preceding three-year period;

(D) for the last full year for which data is available, the per capita income in the area was 90 percent or less of the per capita income for the state, excluding standard metropolitan statistical areas, or for the standard metropolitan statistical area if the area is located in a standard metropolitan statistical area;

(E) (i) the current rate of unemployment in the area is 120 percent of the statewide average unemployment for the last 12-month period for which verifiable figures are available, or (ii) the total number of employment positions has declined by ten percent during the last 18 months; or

(2) the area is so designated under federal legislation providing for federal tax benefits to investors, employers or employees in enterprise zones;

(3) the area consists of a statutory or home rule charter city with a contiguous border with a city in another state or with a contiguous border with a city in Minnesota which has a contiguous border with a city in another state and the area is determined by the commissioner to be economically or fiscally distressed; or

(4) the area is to be utilized by a single corporation for a new manufacturing facility that has a projected employment of no less than 5,000 people, a projected capital investment of at least $3,000,000,000, and the commissioner determines the direct and indirect economic benefits of the new facility justify the designation of the area as a special enterprise zone.

For purposes of this subdivision, an economic hardship area must have a population under the most recent federal decennial census of at least (i) 4,000 if any of the area is located wholly or partly within a standard metropolitan statistical area, or (ii) 2,500 for an area located outside of a standard metropolitan statistical area, or (iii) no minimum in the case of an area located in an Indian reservation; except that, in the case of two or more cities seeking designation of an enterprise zone under a joint exercise of power pursuant to section 471.59, the minimum population required by this provision shall not exceed the sum of the populations of those cities.

[For text of subd 5, see M.S.1984]

History: *1985 c 230 art 1 s 1,2*

273.1313 TAX CLASSIFICATION OF INDUSTRIAL EMPLOYMENT PROPERTY.

Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the meanings given them.

(b) "Commissioner" means the commissioner of revenue.

(c) "Employment property" means taxable property, excluding land but including buildings, structures, fixtures, and improvements that satisfy each of the following conditions:

(1) The property is located within an enterprise zone designated according to section 273.1312.

(2) The property is commercial or industrial property which is not used in a trade or business which either is described in section 103(b)(6)(O) of the Internal Revenue Code of 1954, as amended through December 31, 1984, or is property of a public utility.

(d) "Market value" of a parcel of employment property means the value of the taxable property as annually determined pursuant to section 273.12, less (i) the market value of all property existing at the time of application for classification, as last assessed prior to the time of application, and (ii) any increase in the market value of the property referred to in clause (i) as assessed in each year after the employment property is first placed in service. In each year, any change in the values of the employment property and the other property on the land shall be deemed to be proportionate unless caused by a capital improvement or loss.

(e) "Municipality" means any home rule charter or statutory city or county, but a county may not exercise the powers granted in this section with reference to property situated within a city.

(f) Notwithstanding the provisions of paragraphs (c) and (d) "employment property" and "market value" includes in the case of taxable real property located in an enterprise zone designated under section 273.1312, subdivision 4, paragraph (c), clause (3), the entire value of the commercial and industrial property, including land, used in a trade or business which is not used in a trade or business which either is described in section 103(b)(0)(ii) of the Internal Revenue Code of 1954, as amended through December 31, 1984, or is the property of a public utility. The provisions of this paragraph shall not apply to employment property located in an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), that is assessed pursuant to the first clause of the first sentence of section 273.13, subdivision 24, paragraph (b).

Subd. 2. **Program.** (a) The governing body of any municipality which contains a designated enterprise zone as provided by section 273.1312 shall by resolution establish a program for classification of new property or improvements to existing property as employment property pursuant to the provisions of this section. Applications for classification under the program shall be filed with the municipal clerk or auditor in a form prescribed by the commissioner, with additions as may be prescribed by the municipal governing body. The application shall contain, where appropriate, a legal description of the parcel of land on which the facility is to be situated or improved; a general description of the facility or improvement and its proposed use, the probable time schedule for undertaking any construction or improvement, and information regarding the matters referred to in paragraph (d); the market value and the assessed value of the land and of all other taxable property then situated on it, according to the most recent assessment; and if the property is to be improved or expanded, an estimate of the probable cost of the new construc-

tion or improvement and the market value of the new or improved facility (excluding land) when completed.

(b) Upon receipt of an application the municipal clerk or auditor, subject to any prior approval required by the resolution establishing the program, shall furnish a copy to the assessor for the property and to the governing body of each school district and other public body authorized to levy taxes on the property, and shall publish a notice in the official newspaper of the time and place of a hearing to be held by the governing body on the application, not less than 30 days after the notice is published, stating that the applicant, the assessor, representatives of the affected taxing authorities, and any taxpayer of the municipality may be heard or may present their views in writing at or before the hearing. The hearing may be adjourned from time to time, but the governing body shall take action on the application by resolution within 30 days after the hearing. If disapproved, the reasons shall be set forth in the resolution, and the applicant may appeal to the commissioner within 30 days thereafter, but only on the ground that the determination is arbitrary, in relation to prior determinations as to classification under the program, or based upon a mistake of law. If approved, the resolution shall include determinations as to the matters set forth in paragraph (d), and the clerk or auditor shall transmit it to the commissioner.

(c) Within 60 days after receipt of an approved application or an appeal from the disapproval of an application, the commissioner shall take action on it. The commissioner shall approve each application approved by the governing body if he finds that it complies with the provisions of this section. If he disapproves the application, or finds grounds exist for appeal of a disapproved application, he shall transmit the finding to the governing body and the applicant. When grounds for appeal have been determined to exist, the governing body shall reconsider and take further action on the application within 30 days after receipt of the commissioner's notice and serve written notice of the action upon the applicant. The applicant, within 30 days after receipt of notice of final disapproval by the commissioner or the governing body, may appeal from the disapproval to a court of competent jurisdiction.

(d) In the case of enterprise zones qualifying pursuant to section 273.1312, subdivision 4, paragraph (c), clause (1), an application shall not be approved unless the governing body finds and determines that the construction or improvement of the facility:

(1) is reasonably likely to create new employment or prevent a loss of employment in the municipality;

(2) is not likely to have the effect of transferring existing employment from one or more other municipalities within the state;

(3) is not likely to cause the total market value of employment property within the municipality to exceed five percent of the total market value of all taxable property within the municipality; or if it will, the resulting limitation upon the increase of the assessed value of all taxable property within the municipality, considering the amount of additional municipal services likely to be required for the employment property, is not likely to substantially impede the operation or the financial integrity of the municipality or any other public body levying taxes on property in the municipality; and

(4) will not result in the reduction of the assessed value of existing property within the municipality owned by the applicant, through abandonment, demolition, or otherwise, without provision for the restoration of the existing property within a reasonable time in a manner sufficient to restore the assessed valuation.

(e) In the case of enterprise zones qualifying pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), an application for assessment as employment property under section 273.13, subdivision 24, paragraph (b), or for a tax reduction pursuant to section 273.1314, subdivision 9, may not be approved unless the governing body finds and determines that the construction or improvement of the facility is not likely to have the effect of transferring existing employment from one or more other municipalities within the state.

Subd. 3. **Classification.** Property shall be classified as employment property and assessed as provided for class 4d property in section 273.13, subdivision 24, paragraph (b), for taxes levied in the year in which the classification is approved and for the four succeeding years after the approval. If the classification is revoked, the revocation is effective for taxes levied in the next year after revocation.

[For text of subds 4 and 5, see M.S.1984]

Subd. 6. **Economic diversification projects.** Notwithstanding any provision of sections 273.1312 to 273.1314 to the contrary, a municipality may classify the property of a business provided special assistance as a qualified economic diversification project pursuant to section 116M.07, subdivision 11, clause (d), as employment property under provisions of this section.

History: *1Sp1985 c 14 art 4 s 58-60; art 8 s 11*

273.1314 SELECTION OF ENTERPRISE ZONES.

[For text of subds 1 and 2, see M.S.1984]

Subd. 3. **Applications; contents.** The applications for designation as an enterprise zone shall contain, at a minimum:

(a) verification that the area is eligible for designation pursuant to section 273.1312;

(b) a development plan, outlining the types of investment and development within the zone that the municipality expects to take place if the incentives and tax reductions specified under paragraphs (d) and (e) are provided, the specific investment or development reasonably expected to take place, any commitments obtained from businesses, the projected number of jobs that will be created, the anticipated wage level of those jobs, and any proposed targeting of the jobs created, including affirmative action plans if any;

(c) the municipality's proposed means of assessing the effectiveness of the development plan or other programs to be implemented within the zone once they have been implemented;

(d) the specific form of tax reductions, authorized by subdivision 9, proposed to be granted to businesses, the duration of the tax reductions, an estimate of the total state taxes likely to be foregone as a result, and a statement of the relationship between the proposed tax reductions and the type of investment or development sought or expected to be attracted to or maintained in the area if it is designated as a zone;

(e) the municipality's contribution to the zone as required by subdivision 6;

(f) any additional information required by the commissioner; and

(g) any additional information which the municipality considers relevant to the designation of the area as an enterprise zone.

Paragraph (b) does not apply to an application for designation under section 273.1312, subdivision 4, paragraph (c), clause (3).

Paragraphs (b), (c), and (e) do not apply to an application for designation under section 273.1312, subdivision 4, paragraph (c), clause (4).

Subd. 4. **Evaluation of applications.** The commissioner shall review and evaluate the applications submitted pursuant to subdivision 3 and shall determine whether each area is eligible for designation as an enterprise zone. If the department of energy and economic development no longer exists as presently constituted, the commissioner shall consult with the successor to the responsibilities of the planning division of that department in making this determination. In determining whether an area is eligible under section 273.1312, subdivision 4, paragraph (c), if unemployment, employment, income or other necessary data are not available for the area from the federal departments of labor or commerce or the state demographer, the commissioner may rely upon other data submitted by the municipality if he determines it is statistically reliable or accurate. The commissioner, in conjunction with the commissioner of revenue, shall prepare an estimate of the amount of state tax revenue which will be foregone for each application if the area is designated as a zone.

Except for designations under section 273.1312, subdivision 4, paragraph (c), clause (4), on or before October 1 of each year, the commissioner shall submit to the legislative advisory commission a list of the areas eligible for designation as enterprise zones, along with his recommendations for designation and supporting documentation. In making recommendations for designation, the commissioner shall consider and evaluate the applications pursuant to the following criteria:

(a) the pervasiveness of poverty, unemployment, and general distress in the area;

(b) the extent of chronic abandonment, deterioration or reduction in value of commercial, industrial or residential structures in the area and the extent of property tax arrearages in the area;

(c) the prospects for new investment and economic development in the area with the tax reductions proposed in the application relative to the state and local tax revenue which would be foregone;

(d) the competing needs of other areas of the state;

(e) the municipality's proposed use of other state and federal development funds or programs to increase the probability of new investment and development occurring;

(f) the extent to which the projected development in the zone will provide employment to residents of the economic hardship area, and particularly individuals who are unemployed or who are economically disadvantaged as defined in the federal Job Training Partnership Act of 1982, 96 Statutes at Large 1322;

(g) the funds available pursuant to subdivision 8; and

(h) other relevant factors which he specifies in his recommendations.

The commissioner shall submit a separate list of the areas entitled to designation as enterprise zones under section 273.1312, subdivision 4, paragraph (c), clauses (2) and (3), along with his recommendations for the amount of funds to be allocated to each area.

Subd. 4a. **Special enterprise zones.** Applications for a special enterprise zone designation under section 273.1312, subdivision 4, paragraph (c), clause (4), may be submitted at any time. A special enterprise zone under that clause may be designated by the commissioner no later than September 30, 1985. In making the decision whether to designate an area a special enterprise zone the commissioner shall consider the:

(1) number of jobs that will be created in the zone;

(2) size of the private investment in the zone; and

(3) number of jobs that will be created inside and outside of the zone because of the manufacturing facility located in the zone.

The procedure for granting property tax relief contained in section 273.1313 is not applicable to a special enterprise zone designated under section 273.1312, subdivision 4, paragraph (c), clause (4), and the property in the special enterprise zone shall not be reclassified as employment property.

For the period of 30 years after the designation of the special enterprise zone or until the zone is abolished, whichever is earlier, the value of the property in a special enterprise zone shall not be included for the purpose of computing any tax, charge, or levy imposed by the state or a local unit of government or in the determination of the payment of any aid or credit by the state or a local unit of government, including, without limitations:

(a) the determination of any mill levy under the laws of this state, local charter or ordinance, or other law;

(b) the determination of market value of any municipality or the areawide tax base for the purpose of distributions under chapter 473F relating to municipal revenue distribution;

(c) the determination of state aid for schools under chapter 124; or

(d) the determination of local government aid under chapter 477A.

[For text of subd 5, see M.S.1984]

Subd. 6. **Local contribution.** No area may be designated as an enterprise zone unless the municipality agrees to make a qualifying local contribution in the form of a property tax reduction for employment property as provided by section 273.1313 for any business qualifying for a state tax reduction pursuant to this section. A qualifying local contribution may in the alternative be a local contribution or investment out of other municipal funds, but excluding any special federal grants or loans, equivalent to the property tax reduction. In concluding the agreement with the municipality the commissioner may require that the local contribution will be made in a specified ratio to the amount of the state credits authorized. If the local contribution is to be used to fund additional reductions in state taxes, the commissioner and the governing body of the municipality shall enter an agreement for timely payment to the state to reimburse the state for the amount of tax revenue foregone as a result. The qualifying local contribution for a special enterprise zone under section 273.1312, subdivision 4, paragraph (c), clause (4), shall be the complete abatement of property taxes on property in the zone.

Subd. 7. **Limitations; number of designations.** (a) In each of the years 1983 and 1984, the commissioner shall designate at least two but not more than five areas as enterprise zones. No designations shall be made after December 31, 1984.

(b) No more than one area may be designated as an enterprise zone in any county, except that two areas may be designated in a county containing a city of the first class.

(c) No more than two areas in a congressional district may be designated as an enterprise zone in 1984.

This subdivision shall not apply to enterprise zones designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (2), (3), or (4).

Subd. 8. **Funding limitations.** The maximum amount of the tax reductions which may be authorized pursuant to designations of enterprise zones under section 273.1312 and this section is limited to $36,400,000. The maximum amount of this total which may be authorized by the commissioner for tax reductions pursuant to

subdivision 9 that will reduce tax revenues which otherwise would have been received during fiscal years 1984 and 1985 is limited to $9,000,000. Of the total limitation and the 1984-1985 biennial limitation the commissioner shall allocate to enterprise zones designated under section 273.1312, subdivision 4, paragraph (c), clause (3), an amount equal to $16,610,940 and $5,000,000 respectively. These funds shall be allocated among such zones on a per capita basis except that the maximum allocation to any one city is $6,610,940 and no city's allocation shall exceed $210 on a per capita basis. An amount sufficient to fund the state funded property tax credits, the refundable income tax credits, and the sales tax exemption, as authorized pursuant to this section is appropriated to the commissioner of revenue. Upon designation of an enterprise zone the commissioner shall certify the total amount available for tax reductions in the zone for its duration. The amount certified shall reduce the amount available for tax reductions in other enterprise zones. If subsequent estimates indicate or actual experience shows that the approved tax reductions will result in amounts of tax reductions in excess of the amount certified for the zone, the commissioner shall implement a plan to reduce the available tax reductions in the zone to an amount within the sum certified for the zone. If subsequent estimates indicate or actual experience shows that the approved tax reductions will result in amounts of tax reductions below the amount certified, the difference shall be available for certification in other zones or used in connection with an amended plan of tax reductions for the zone as the commissioner determines appropriate. If the tax reductions authorized result in reduced revenues for a dedicated fund, the commissioner of finance shall transfer equivalent amounts to the dedicated fund from the general fund as necessary. Of the $36,400,000 in tax reductions authorized under this subdivision, an additional $800,000 in tax reductions may be authorized within an enterprise zone located within five municipalities which was designated by the commissioner in 1984.

This subdivision, including the funding limitations, does not apply to enterprise zones designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (4).

Subd. 9. **Authorized forms of state tax reductions.** (a) The following types of tax reductions may be approved by the commissioner for businesses located in an enterprise zone:

(1) an exemption from the general sales tax imposed by chapter 297A for purchases of construction materials or equipment for use in the zone if the purchase was made after the date of application for the zone;

(2) a credit against the income tax of an employer for additional workers employed in the zone, other than workers employed in construction, up to a maximum of $3,000 per employee per year;

(3) an income tax credit for a percentage of the cost of debt financing to construct new or expanded facilities in the zone;

(4) a state paid property tax credit for a portion of the property taxes paid by a new commercial or industrial facility or the additional property taxes paid by an expansion of an existing commercial or industrial facility in the zone; and

(5) a complete abatement of all corporate income and excise taxes under chapter 290, property taxes, and sales and use taxes under chapter 297A on the purchase of construction materials or equipment for use in the zone if the zone is designated pursuant to section 273.1312, subdivision (4), paragraph (c), clause (4). Local taxing authorities with an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (4), will be reimbursed by the state for foregone property taxes only to the extent that the local taxing authority can demonstrate the development within that zone has imposed an additional net financial burden on its

budget. The additional net financial burden shall be determined by subtracting the increase in the total equalized assessed property value of the local taxing authority that is in excess of a statewide average increase in equalized assessed property values as determined by the commissioner of revenue, multiplied by the mill rate of the local taxing authority for taxes payable in the current year, from the additional direct costs the development has placed on the local taxing authority's budget for the current year. The commissioner of energy and economic development, in consultation with the commissioner of revenue, shall review that local taxing authority's demonstration of additional financial burden and determine the amount which the state will reimburse the local taxing authority for foregone property tax revenue.

(b) The municipality shall specify in its application for designation the types of tax reductions it seeks to be made available in the zone and the percentage rates and other appropriate limitations on the reductions.

(c) Upon designation of an enterprise zone and approval by the commissioner of the tax reductions to be made available therein, the commissioner of revenue shall take the steps necessary to implement the tax reductions.

(d) The tax reductions provided by this subdivision shall not apply to any facility described in section 103(b)(6)(O) of the Internal Revenue Code of 1954, as amended through January 15, 1983, or to any regulated public utility.

(e) The commissioner shall approve tax reductions authorized by paragraph (a) within an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), only after the governing body of a city designated as an enterprise zone has designated an area or areas, each consisting of at least 100 acres, of the city not in excess of 400 acres in which the tax reductions may be provided.

(f) In addition to the tax reductions authorized by paragraph (a), for an enterprise zone designated under section 273.1312, subdivision 4, paragraph (c), clause (3), the following types of tax reductions may be approved:

(1) A credit against income tax for workers employed in the zone and not qualifying for a credit under paragraph (a), clause (2), subject to a maximum of $1,500 per employee per year;

(2) A state paid property tax credit for a portion of the property taxes paid by a commercial or industrial facility located in the zone. Notwithstanding paragraph (d), the credits provided by this paragraph may be provided to the businesses described in section 103(b)(6)(0)(i) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(g) Each tax reduction provided to a business pursuant to this subdivision shall terminate not longer than five years after the effective date of the tax reduction for the business. Subject to the five-year limitation, the tax reductions may be provided after expiration of the zone's designation.

(h) The income tax credits provided pursuant to clauses (a) and (f) may be refundable.

[For text of subds 10 to 16, see M.S.1984]

Subd. 16a. **Zone boundary realignment.** The commissioner may approve specific applications by a municipality to amend the boundaries of a zone or of an area or areas designated pursuant to subdivision 9, paragraph (e) at any time. Boundaries of a zone may not be amended to create noncontiguous subdivisions. If the commissioner approves the amended boundaries, the change is effective on the date of approval. Notwithstanding the area limitation under section 273.1312, subdivision 4, paragraph (b), the commissioner may approve a specific application to amend

the boundaries of an enterprise zone which is located within five municipalities and was designated in 1984, to increase its area to not more than 800 acres.

[For text of subd 17, see M.S.1984]

History: *1985 c 230 art 1 s 3-9; 1Sp1985 c 14 art 8 s 12,13*

273.1315 CERTIFICATION OF 1B PROPERTY.

Any property owner seeking classification and assessment of his homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), clause (2) or (3), shall file with the commissioner of revenue for each assessment year a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that the property owner or his spouse satisfies the requirements of section 273.13, subdivision 22, for 1b classification;

(b) the property owner's household income, as defined in section 290A.03, for the previous calendar year; and

(c) any additional information prescribed by the commissioner.

The declaration shall be filed on or before March 1 of each year to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this section shall be subject to section 290A.17.

The commissioner shall provide to the assessor on or before April 1 a listing of the parcels of property qualifying for 1b classification.

History: *1Sp1985 c 14 art 4 s 61*

273.133 CLASSIFICATION OF COOPERATIVES, CHARITABLE AND NONPROFIT CORPORATIONS, AND CONTINUING CARE FACILITIES.

[For text of subds 1 and 2, see M.S.1984]

Subd. 2a. **Continuing care facilities.** When a building containing several dwelling units is owned by an entity which is regulated under the provisions of chapter 80D and operating as a continuing care facility enters into residency agreements with persons who occupy a unit in the building and the residency agreement entitles the resident to occupancy in the building after personal assets are exhausted and regardless of ability to pay the monthly maintenance fee, homestead classification shall be given to each unit so occupied and the entire building shall be assessed in the manner provided in subdivision 1 for cooperatives and charitable corporations.

[For text of subd 3, see M.S.1984]

History: *1Sp1985 c 14 art 3 s 14*

NOTE: This section is repealed by Laws 1985, First Special Session chapter 14, article 4, section 98 effective for taxes levied in 1986 and payable in 1987 and thereafter. See section 273.124.

273.135 HOMESTEAD PROPERTY TAX RELIEF.

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area on homestead property, as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c).

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c).

(c) (1) The maximum reduction of the net tax up to the taconite breakpoint is $225.40 on property described in clause (a) and $200.10 on property described in clause (b), for taxes payable in 1985. These maximum amounts shall increase by $15 times the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax on property described in clause (a) is $490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is $435 for taxes payable in 1985. These maximum amounts shall increase by $15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, and "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22.

[For text of subds 3 and 5, see M.S.1984]

History: *1Sp1985 c 14 art 4 s 62,63*

273.136 TACONITE PROPERTY TAX RELIEF FUND; REPLACEMENT OF REVENUE.

Subdivision 1. Payment from the county shall be made as provided herein for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in section 273.135.

Subd. 2. The commissioner of revenue shall determine, not later than May 1 of each year, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, basing his determinations on a review of abstracts of tax lists submitted by the county auditors pursuant to section 275.29. He may make changes in the abstracts of tax lists as he deems necessary. The commissioner of revenue, after such review, shall submit to the St. Louis county auditor, on or before June 1, the amount of the first half payment payable hereunder and on or before October 15 the amount of the second half payment.

Subd. 3. The St. Louis county auditor shall pay out of the taconite property tax relief account to each county treasurer one-half of the amount certified under subdivision 2 not later than June 15 and the remaining half not later than November 15 of each year.

Subd. 4. The county treasurer shall distribute the funds received by him as if they had been collected as a part of the property tax reduced by section 273.135.

History: *1Sp1985 c 14 art 10 s 3-6*

273.138 ATTACHED MACHINERY AID.

[For text of subds 2 and 3, see M.S.1984]

Subd. 5. The commissioner of revenue shall calculate the aids pursuant to subdivisions 2 and 3, basing all necessary calculations on the abstracts of assessment of real property for assessment year 1972 transmitted to the commissioner of revenue pursuant to section 270.11 as equalized by the state board of equalization pursuant to sections 270.11 and 270.12, and the 1973 abstracts of tax lists transmitted by the county auditors pursuant to section 275.29. He shall pay directly to the affected taxing authorities their total payment for the year at the time distributions are made pursuant to section 273.13, subdivision 15a.

[For text of subd 6, see M.S.1984]

History: *1985 c 300 s 7*

273.1391 SUPPLEMENTARY HOMESTEAD PROPERTY TAX RELIEF.

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area described in subdivision 2 on homestead property, as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amounts specified in clause (c). The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, but not to exceed the maximums specified in clause (c).

(c) (1) The maximum reduction of the net tax up to the taconite breakpoint is $200.10 for taxes payable in 1985. This maximum amount shall increase by $15

multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax is $435 for taxes payable in 1985. This total maximum amount shall increase by $15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, and "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22.

[For text of subds 3 to 5, see M.S.1984]

History: *1Sp1985 c 14 art 4 s 64,65*

273.1392 PAYMENT; AIDS TO SCHOOL DISTRICTS.

The amounts of homestead credit under section 273.13, subdivisions 22 and 23; wetlands credit and reimbursement under section 273.115; native prairie credit and reimbursement under section 273.116; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; and metropolitan agricultural preserve reduction under section 473H.10, shall be certified to the department of education by the department of revenue. The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

History: *1Sp1985 c 14 art 4 s 66*

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 section 273.123;

(2) wetlands credit as provided in section 273.115;

(3) native prairie credit as provided in section 273.116;

(4) powerline credit as provided in section 273.42;

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

(6) enterprise zone credit as provided in section 273.1314;

(7) state school agricultural credit as provided in section 124.2137;

(8) state paid homestead credit as provided in section 273.13, subdivisions 22 and 23;

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

(10) supplemental homestead credit as provided in section 273.1391.

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

History: *1985 c 300 s 8; 1Sp1985 c 14 art 4 s 67*

273.15 [Repealed, 1Sp1985 c 14 art 4 s 98]

NOTE: For taxes levied in 1986 and payable in 1987 and thereafter, see section 273.13, subdivision 30.

273.165 TAXATION OF SEPARATE MINERAL INTERESTS AND UNMINED IRON ORE.

Subdivision 1. **Mineral interest.** "Mineral interest," for the purpose of this subdivision, means an interest in any minerals, including but not limited to gas, coal, oil, or other similar interest in real estate, which is owned separately and apart from the fee title to the surface of such real property. Mineral interests which are filed for record in the offices of either the county recorder or registrar of titles, whether or not filed pursuant to sections 93.52 to 93.58, are taxed as provided in this subdivision unless specifically excluded by this subdivision. A tax of 25 cents per acre or portion of an acre of mineral interest is imposed and is payable annually. If an interest is a fractional undivided interest in an area, the tax due on the interest per acre or portion of an acre is equal to the product obtained by multiplying the fractional interest times 25 cents, computed to the nearest cent. However, the minimum annual tax on any mineral interest is $2. No such tax on mineral interests is imposed on the following: (1) mineral interests valued and taxed under other laws relating to the taxation of minerals, gas, coal, oil, or other similar interests; or (2) mineral interests which are exempt from taxation pursuant to constitutional or related statutory provisions. Taxes received under this subdivision must be apportioned to the taxing districts included in the area taxed in the same proportion as the surface interest mill rate of a taxing district bears to the total mill rate applicable to surface interests in the area taxed. The tax imposed by this subdivision is not included within any limitations as to rate or amount of taxes which may be imposed in an area to which the tax imposed by this subdivision applies. The tax imposed by this subdivision does not cause the amount of other taxes levied or to be levied in the area, which are subject to any such limitation, to be reduced in any amount. Twenty percent of the revenues received from the tax imposed by this subdivision must be distributed under the provisions of section 116J.64.

Subd. 2. **Iron ore.** Unmined iron ore included in class 9 must be assessed with and as a part of the real estate in which it is located, but at the rate established in section 273.13, subdivision 30. The real estate in which iron ore is located, other than the ore, must be classified and assessed in accordance with the provisions of the appropriate classes. In assessing any tract or lot of real estate in which iron ore is known to exist, the assessable value of the ore exclusive of the land in which it is located, and the assessable value of the land exclusive of the ore must be determined and set down separately and the aggregate of the two must be assessed against the tract or lot.

History: *1Sp1985 c 14 art 4 s 68*

NOTE: This section is effective for taxes levied in 1986 and payable in 1987 and thereafter. See Laws 1985, First Special Session chapter 14, article 4, section 99.

273.19 LESSEES AND EQUITABLE OWNERS.

Subdivision 1. Except as provided in subdivision 3 or 4, property held under a lease for a term of three or more years, and not taxable under section 272.01, subdivision 2, or under a contract for the purchase thereof, when the property belongs to the United States, to the state, or to any religious, scientific, or benevolent society or institution, incorporated or unincorporated, or to any railroad company or other corporation whose property is not taxed in the same manner as other property, or when the property is school or other state lands, shall be considered, for all purposes of taxation, as the property of the person so holding the same. This

subdivision does not apply to property exempt from taxation under section 272.01, subdivision 2, clause (b)(2).

[For text of subds 2 to 5, see M.S.1984]

History: *1985 c 300 s 9*

273.33 EXPRESS, STAGE AND TRANSPORTATION COMPANIES; PIPE LINES.

Subdivision 1. The personal property of express, stage and transportation companies, and of pipeline companies engaged in the business of transporting natural gas, gasoline, crude oil, or other petroleum products except as otherwise provided by law, shall be listed and assessed in the county, town or district where the same is usually kept.

Subd. 2. The personal property, consisting of the pipeline system of mains, pipes and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipe lines, shall be listed with and assessed by the commissioner of revenue. This subdivision shall not apply to the assessment of the products transported through the pipe lines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipe lines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. On or before the fifteenth day of November, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located.

History: *1985 c 300 s 10,11*

273.38 PERCENTAGE OF ASSESSMENTS; EXCEPTIONS.

The commissioner of revenue shall assess distribution lines, and the attachments and appurtenances thereto, used primarily for supplying electricity to farmers at retail, which shall be taxed at the average rate of taxes levied for all purposes throughout the county, and which shall be entered, certified and credited as provided in section 273.42. It is further provided that the distribution lines and the attachments and appurtenances thereto of cooperative associations organized under the provisions of Laws 1923, chapter 326, and laws amendatory thereof and supplemental thereto, and engaged in the electrical heat, light and power business, upon a mutual, nonprofit and cooperative plan, shall be assessed and taxed as provided in sections 273.40 and 273.41.

History: *1Sp1985 c 14 art 4 s 69*

273.42 RATE OF TAX; ENTRY AND CERTIFICATION; CREDIT ON PAYMENT; PROPERTY TAX CREDIT.

[For text of subd 1, see M.S.1984]

Subd. 2. Owners of land defined as class 1a, 1b, 2a, 2c, 4a, 5a, or 6a, pursuant to section 273.13 listed on records of the county auditor or county treasurer over which runs a high voltage transmission line as defined in section 116C.52, subdivision 3, except a high voltage transmission line the construction of which was commenced prior to July 1, 1974, shall receive a property tax credit in an amount determined by multiplying a fraction, the numerator of which is the length of high voltage transmission line which runs over that parcel and the denominator of which

is the total length of that particular line running over all property within the city or township by ten percent of the transmission line tax revenue derived from the tax on that portion of the line within the city or township pursuant to section 273.36. In the case of property owners in unorganized townships, the property tax credit shall be determined by multiplying a fraction, the numerator of which is the length of the qualifying high voltage transmission line which runs over the parcel and the denominator of which is the total length of the qualifying high voltage transmission line running over all property within all the unorganized townships within the county, by the total utility property tax credit fund amount available within the county for that year pursuant to subdivision 1. Where a right-of-way width is shared by more than one property owner, the numerator shall be adjusted by multiplying the length of line on the parcel by the proportion of the total width on the parcel owned by that property owner. The amount of credit for which the property qualifies shall not exceed 20 percent of the total gross tax on the parcel prior to deduction of the state paid agricultural credit and the state paid homestead credit, provided that, if the property containing the right-of-way is included in a parcel which exceeds 40 acres, the total gross tax on the parcel shall be multiplied by a fraction, the numerator of which is the sum of the number of acres in each quarter-quarter section or portion thereof which contains a right-of-way and the denominator of which is the total number of acres in the parcel set forth on the tax statement, and the maximum credit shall be 20 percent of the product of that computation, prior to deduction of those credits. The auditor of the county in which the affected parcel is located shall calculate the amount of the credit due for each parcel and transmit that information to the county treasurer. The county auditor, in computing the credits received pursuant to sections 273.13 and 273.135, shall reduce the gross tax by the amount of the credit received pursuant to this section, unless the amount of the credit would be less than $10.

If, after the county auditor has computed the credit to those qualifying property owners in unorganized townships, there is money remaining in the utility property tax credit fund, then that excess amount in the fund shall be returned to the general school fund of the county.

History: *1Sp1985 c 14 art 4 s 70*

273.73 DEFINITIONS.

[For text of subds 1 to 8, see M.S.1984]

Subd. 9. **Tax increment financing district.** "Tax increment financing district" or "district" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 273.74, subdivision 1, for the purpose of financing redevelopment, mined underground space development, housing or economic development in municipalities through the use of tax increment generated from the captured assessed value in the tax increment financing district.

[For text of subds 10 and 11, see M.S.1984]

Subd. 12. **Economic development district.** "Economic development district" means a type of tax increment financing district which consists of any project, or portions of a project, not meeting the requirements found in the definition of redevelopment district, mined underground space development district or housing district, but which the authority finds to be in the public interest because:

(a) it will discourage commerce, industry or manufacturing from moving their operations to another state; or

(b) it will result in increased employment in the municipality; or

(c) it will result in preservation and enhancement of the tax base of the municipality.

[For text of subd 13, see M.S.1984]

Subd. 14. **Mined underground space development district.** "Mined underground space development district" means a type of tax increment financing district consisting of a project, or portions of a project, for the development or redevelopment of mined underground space pursuant to sections 472B.03 to 472B.07.

History: *1985 c 194 s 9-11*

273.74 ESTABLISHING, MODIFYING TAX INCREMENT FINANCING PLAN, ANNUAL ACCOUNTS.

[For text of subd 1, see M.S.1984]

Subd. 2. **Consultations; comment and filing.** Before formation of a tax increment financing district, the authority shall provide an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its estimate of the fiscal and economic implications of the proposed tax increment financing district. The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3. The county auditor shall not certify the original assessed value of a district pursuant to section 273.76, subdivision 1, until the county board of commissioners has presented its written comment on the proposal to the authority, or 30 days has passed from the date of the transmittal by the authority to the board of the information regarding the fiscal and economic implications, whichever occurs first. Upon adoption of the tax increment financing plan, the authority shall file a copy of the plan with the commissioner of energy and economic development. The authority must also file with the commissioner a copy of the development plan for the project area.

Subd. 3. **Municipality approval.** No county auditor shall certify the original assessed value of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority which proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(a) That the proposed tax increment financing district is a redevelopment district, a mined underground space development district, a housing district or an economic development district.

(b) That the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

(c) That the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(d) That the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(e) That the municipality elects the method of tax increment computation set forth in section 273.76, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for such financing.

[For text of subds 4 and 5, see M.S.1984]

Subd. 6. **Financial reporting.** (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

(1) provide for full disclosure of the sources and uses of public funds in the district;

(2) permit comparison and reconciliation with the affected local government's accounts and financial reports;

(3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;

(4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor, on or before July 1, a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county and school district boards and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a).

(c) The annual financial report must also include the following items:

(1) the original assessed value of the district;

(2) the captured assessed value of the district, including the amount of any captured assessed value shared with other taxing districts;

(3) the outstanding principal amount of bonds issued or other loans incurred to finance project costs in the district;

(4) for the reporting period and for the duration of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:

(A) acquisition of land and buildings through condemnation or purchase;

(B) site improvements or preparation costs;

(C) installation of public utilities or other public improvements;

(D) administrative costs, including the allocated cost of the authority;

(5) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer;

(6) the amount of tax exempt obligations, other than those reported under clause (3), that were issued on behalf of private entities for facilities located in the district.

(d) The reporting requirements imposed by this subdivision are in lieu of the annual disclosure required by subdivision 5.

History: *1985 c 194 s 12; 1Sp1985 c 14 art 8 s 14,15*

273.75 LIMITATIONS.

Subdivision 1. **Duration of tax increment financing districts.** Subject to the limitations contained elsewhere in this subdivision any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as any such bonds continue to be outstanding; provided, however, the tax increment pledged to the payment of bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to such maturity or redemption date, provided that for bonds issued pursuant to section 273.77, clauses (a) and (b) the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full; provided, further, that no tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original assessed value of the taxable real property in the district by the county auditor or three years from August 1, 1979, for tax increment financing districts authorized prior to August 1, 1979, unless within the three year period (a) bonds have been issued pursuant to section 273.77, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to chapter 474, prior to August 1, 1979, or (b) the authority has acquired property within the district, or (c) the authority has constructed or caused to be constructed public improvements within the district; and provided, further, that no tax increment shall in any event be paid to the authority from a redevelopment district after 25 years from date of receipt by the authority of the first tax increment, after 25 years from the date of the receipt for a housing district, after 25 years from the date of the receipt for a mined underground space development district, and after eight years from the date of the receipt, or ten years from approval of the tax increment financing plan, whichever is less, for an economic development district.

For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after 30 years from August 1, 1979.

Modification of a tax increment financing plan pursuant to section 273.74, subdivision 4, shall not extend the durational limitations of this subdivision.

[For text of subds 2 and 3, see M.S.1984]

Subd. 4. **Limitation on use of tax increment.** All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (a) to pay the principal of and interest on bonds issued to finance a project; (b) by a rural development financing authority for the purposes stated in section 362A.01, subdivision 2, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to chapter 458, by a housing and redevelopment authority to finance or otherwise pay public redevelopment costs pursuant to chapter 462, by a municipality to finance or otherwise pay the capital and administration costs of a development district pursuant to chapter 472A, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance or other security guaranteeing the payment when due of principal of and interest on the bonds pursuant to chapters 462C, 474, or both chapters, or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapters 462C, 474, or both chapters, which revenues in the reserve shall not exceed, subsequent to the fifth anniversary of the date of issue of the first bond issue secured by the reserve, an amount equal to 20 percent of the aggregate principal amount of the outstanding and nondefeased bonds secured by the reserve. Revenues derived from tax increment may be used to finance the costs of an interest reduction program operated pursuant to section 462.445, subdivisions 10 to 13, or pursuant to other law granting interest reduction authority and power by reference to those subdivisions only under the following conditions: (a) tax increments may not be collected for a program for a period in excess of 12 years after the date of the first interest rate reduction payment for the program, (b) tax increments may not be used for an interest reduction program, if the proceeds of bonds issued pursuant to section 273.77 after December 31, 1985, have been or will be used to provide financial assistance to the specific project which would receive the benefit of the interest reduction program, and (c) not more than 50 percent of the estimated tax increment derived from a project may be used to finance an interest reduction program for owner-occupied single-family dwellings unless a project is located either in an area which would qualify as a redevelopment district or within a city designated as an enterprise zone pursuant to section 273.1312, subdivision 4, clause (c)(3). These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment shall be used for the construction or renovation of a municipally owned building used primarily and regularly for conducting the business of the municipality; this provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, a commons area used as a public park or a facility used for social, recreational or conference purposes and not primarily for conducting the business of the municipality.

[For text of subds 5 to 7, see M.S.1984]

Subd. 8. **Mined underground space development district.** Revenue derived from tax increment from a mined underground space development district may be used only to pay for the costs of excavating and supporting the space, of providing public access to the mined underground space including roadways, and of installing utilities including fire sprinkler systems in the space.

History: *1985 c 194 s 13,14; 1Sp1985 c 14 art 8 s 16*

273.76 COMPUTATION OF TAX INCREMENT.

Subdivision 1. **Original assessed value.** Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original assessed value of the tax increment financing district as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original assessed value has increased or decreased as a result of a change in tax exempt status of property within the district, reduction or enlargement of the district or changes pursuant to subdivision 4. In the case of a mined underground space development district the county auditor shall certify the original assessed value as zero, plus the assessed value, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04. The amount to be added to the original assessed value of the district as a result of previously tax exempt real property within the district becoming taxable shall be equal to the assessed value of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the value which shall be assessed by the assessor at the time of such transfer. The amount to be added to the original assessed value of the district as a result of enlargements thereof shall be equal to the assessed value of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 273.74, subdivision 4. Each year the auditor shall also add to the original assessed value of each economic development district an amount equal to the original assessed value for the preceding year multiplied by the average percentage increase in the assessed valuation of all property included in the economic development district during the five years prior to certification of the district. The amount to be subtracted from the original assessed value of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original assessed value initially attributed to the property becoming tax exempt or being removed from the district. If the assessed value of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original assessed value of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured assessed value of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor shall have the power to specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 273.74, subdivision 4.

[For text of subds 2 to 8, see M.S.1984]

History: *1985 c 194 s 15*