

127A.48 ADJUSTMENT OF NET TAX CAPACITY.

Subdivision 1. **Computation.** The Department of Revenue must annually conduct an assessment/sales ratio study of the taxable property in each school district in accordance with the procedures in subdivisions 2 and 3. Based upon the results of this assessment/sales ratio study, the Department of Revenue must determine an aggregate equalized net tax capacity for the various classes of taxable property in each district, which tax capacity shall be designated as the adjusted net tax capacity. The adjusted net tax capacities shall be determined using the net tax capacity percentages in effect for the assessment year following the assessment year of the study. The Department of Revenue must make whatever estimates are necessary to account for changes in the classification system. The Department of Revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining the adjusted net tax capacity. On or before March 15 annually, the Department of Revenue shall file with the chair of the Tax Committee of the house of representatives and the chair of the Committee on Taxes and Tax laws of the senate a report of adjusted net tax capacities. On or before June 15 annually, the Department of Revenue shall file its final report on the adjusted net tax capacities established by the previous year's assessments and the current year's net tax capacity percentages with the commissioner of education and each county auditor for those districts for which the auditor has the responsibility for determination of local tax rates. A copy of the report so filed shall be mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which each district is located.

Subd. 2. **Methodology.** In making its annual assessment/sales ratio studies, the Department of Revenue must use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota Administrative Procedure Act. When property is sold and the purchaser changes its use in a manner that would result in a change of classification of the property, the assessment sales ratio study under this subdivision must take into account that changed classification as soon as practicable. A change in status from homestead to nonhomestead or from nonhomestead to homestead is not a change under this subdivision. For purposes of this section, sections 270.12, subdivision 2, clause (8), and 278.05, subdivision 4, the commissioner of revenue shall exclude from the assessment/sales ratio study the sale of any

nonagricultural property which does not contain an improvement, if (1) the statutory basis on which the property's taxable value as most recently assessed is less than market value as defined in section 273.11, or (2) the property has undergone significant physical change or a change of use since the most recent assessment.

Subd. 3. **Agricultural lands.** For purposes of determining the adjusted net tax capacity of agricultural lands for the calculation of adjusted net tax capacities, the market value of agricultural lands must be the price for which the property would sell in an arm's-length transaction.

Subd. 4. **Forced sales.** The commissioner of revenue may include forced sales in the assessment/sales ratio studies if it is determined by the commissioner of revenue that these forced sales indicate true market value.

Subd. 5. **Stipulated values and abatements.** The estimated market value to be used in calculating sales ratios must be the value established by the assessor before any stipulations resulting from appeals by property owners and before any abatement unless the abatement was granted for the purpose of correcting mere clerical errors.

Subd. 6. **Sales of industrial property.** Separate sales ratios must be calculated for commercial property and for industrial property. These two classes shall be combined only in jurisdictions in which there is not an adequate sample of sales in each class.

Subd. 7. **Adjusted net tax capacity; growth limit.** In the calculation of adjusted net tax capacities for 1987 and each year thereafter, the commissioner of revenue shall not increase the adjusted net tax capacity of taxable property for any district over the adjusted net tax capacity established and filed with the commissioner for the immediately preceding year by more than the greater of (1) 19 percent of the certified adjusted net tax capacity established and filed with the commissioner of education for the year immediately preceding, or (2) 40 percent of the difference between the district's total adjusted net tax capacity for the current year calculated without the application of this subdivision and the district's certified adjusted net tax capacity established and filed with the commissioner for the immediately preceding year.

Subd. 8. **Decrease in iron ore net tax capacity.** If in any year the net tax capacity of iron ore property, as defined in section 273.13, subdivision 31, in any district is less than the net tax capacity of such property in the preceding year, the commissioner of revenue shall redetermine for all purposes the adjusted net tax capacity of the preceding year taking into account only the decrease in net tax capacity of iron ore property as defined in section 273.13, subdivision 31. If subdivision 7, clause (1), is applicable to the district, the decrease in iron ore property shall be applied to the adjusted net tax capacity as limited therein. In all other respects, the provisions of clause (1) shall apply.

Subd. 9. **Captured tax capacity adjustment.** In calculating adjusted net tax capacity, the commissioner of revenue shall increase the adjusted net tax capacity of a district containing a tax increment financing district for which an election is made under section 469.1782, subdivision 1, clause (1). The amount of the increase equals the captured net tax capacity of the tax increment financing district in the year preceding the first taxes payable year in which the special law permits collection beyond that permitted by the general law duration limit that otherwise would apply. The addition applies beginning for aid and levy for the first taxes payable year in which the special law permits collection of increment beyond that permitted by the general law duration limit that otherwise would apply. The addition continues to apply for each taxes payable year the district remains in effect.

Subd. 10. **Adjusted net tax capacity; appeals.** If a district, within 30 days after receipt of a copy of a report filed with the commissioner made pursuant to subdivisions 1 to 6 or 8, is of the opinion that the commissioner of revenue has made an error in the determination of the district's market value, it may appeal from the report or portion thereof relating to the district to the commissioner of revenue for a review and determination of the matters contained in the appeal. The commissioner of revenue shall advise the district of the determination within 30 days. If the district wishes to appeal the determination of the commissioner of revenue, it must file a notice of appeal with the Tax Court, as provided in subdivisions 11 to 16 within ten days of the notice of determination from the commissioner of revenue.

Subd. 11. **Notice of appeal.** The district must file with the court administrator of the Tax Court a notice of appeal from the determination of the commissioner of revenue fixing the market value of the district, and such notice must show the basis of the alleged error. A copy of the notice of appeal must be served upon the commissioner of revenue, and proof of service must be filed with the court administrator.

Subd. 12. **Hearing.** Upon receipt of the notice of appeal the Tax Court must review the notice of appeal and determine whether it appears from the allegations and proofs therein contained that an error has been made in the determination by the commissioner of revenue of the market value of the property in the school district. If the court finds it probable that such an error has been made, it must notice the matter for hearing; otherwise, it must dismiss the appeal and notify the parties thereof. Hearings must be set and held in the same manner as other hearings of the Tax Court are set and heard, except that an appeal filed under subdivision 10 must take precedence over other appeals pending before the court. The attorney general shall represent the commissioner of revenue. The Administrative Procedure Act, sections 14.09 to 14.28, 14.38, 14.44 to 14.45, and 14.57 to 14.69, shall apply to hearings insofar as it is applicable.

Subd. 13. **Tax Court determination.** The Tax Court shall hear, consider, and determine such appeal, de novo upon the issues made by the notice of appeal, if a hearing has been granted thereon. At the conclusion of the hearing, the court must: (1) file findings of fact, or (2) refer the issues to the commissioner of revenue with instructions and recommendations for a determination and correction of the market value of the appealing district. The decision of the Tax Court, if it decides the matter de novo, shall have the same force and effect as a determination by the commissioner of revenue in the first instance under this section, and the commissioner of revenue must be notified thereof. If the matter is rereferred to the commissioner of revenue, a redetermination by the commissioner of revenue in accordance with the recommendations of the Tax Court must likewise have the same force and effect as a determination by it in the first instance under this section.

Subd. 14. **Hearing examiner.** In addition to the powers and duties of the Tax Court as prescribed by chapter 271, any hearing ordered pursuant to this section may be heard by a hearing examiner in lieu of one or more judges of the Tax Court. If a hearing is conducted by a hearing examiner, such hearing examiner shall exercise the same powers conferred by law upon one or more judges of the Tax Court. The hearing examiner shall report to the court. The court is authorized to make findings of fact based on the report of the hearing examiner in the same manner as is required by these provisions when the hearing is conducted by the court. The Tax Court may employ hearing examiners upon such terms and conditions as it shall prescribe. A hearing examiner so appointed shall be in the unclassified service of the state.

Subd. 15. **Limitation of appeals.** A decision of the Tax Court pursuant to the terms hereof shall be final and shall not be subject to review by any court, except upon certiorari to the Supreme Court.

Subd. 16. **Aids pending appeals.** During the pendency of any appeal from the commissioner of revenue evaluation, state aids to the appealing district must be paid on the basis of the evaluation subject to adjustment upon final determination of the appeal.

History: *Ex1971 c 31 art 20 s 3; 1973 c 582 s 3; 1973 c 683 s 5-10,27; 1974 c 521 s 22,23; 1975 c 432 s 25-33; 1976 c 134 s 78; 1976 c 239 s 35; 1976 c 271 s 44-46; 1977 c 307 s 29; 1977 c 423 art 3 s 1,2; art 4 s 1; 1977 c 447 art 1 s 8-15,17; 1978 c 706 s 32; 1978 c 733 s 20,21; 1978 c 764 s 46-51; 1978 c 767 s 1; 1979 c 334 art 1 s 7-11; art 3 s 4,5; 1980 c 429 s 1; 1980 c 443 s 1; 1980 c 509 s 33; 1980 c 607 art 4 s 1; art 7 s 8; 1980 c 609 art 1 s 7; 1981 c 358 art 1 s 18,19,48; 1982 c 424 s 130; 1984 c 502 art 11 s 1; 1Sp1985 c 14 art 3 s 1; art 4 s 18; 1986 c 444; 1Sp1986 c 1 art 4 s 9; 1Sp1986 c 3 art 1 s 82; 1987 c 268 art 6 s 3; art 7 s 3-10; 1987 c 384 art 2 s 1; 1988 c 719 art 5 s 2,84; 1989 c 329 art 13 s 1; art 13 s 20; 1Sp1989 c 1 art 2 s 11; art*

9 s 1; 1992 c 511 art 2 s 5; 1992 c 556 s 1; 1993 c 224 art 1 s 4; 1994 c 416 art 1 s 4; 1995 c 233 art 2 s 56; 1995 c 264 art 5 s 1; 1Sp1995 c 3 art 16 s 13; 1998 c 397 art 4 s 39-47,51; art 11 s 3; 2003 c 130 s 12; 2008 c 154 art 2 s 2