

**273.1398 DISPARITY REDUCTION AID AND CREDIT.**

Subdivision 1. **Definitions.** (a) In this section, the terms defined in this subdivision have the meanings given them.

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of local tax rates.

(c) For purposes of calculating and allocating disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties," "gross taxes," or "taxes levied" means the total net tax capacity based taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction. "Gross taxes" are before any reduction for disparity reduction aid but "taxes levied" are after any reduction for disparity reduction aid. Gross taxes levied or taxes levied cannot be less than zero.

Subd. 1a. [Repealed, 2004 c 228 art 3 s 18]

Subd. 2. [Repealed, 1Sp2003 c 21 art 6 s 17]

Subd. 2a. [Repealed, 1994 c 416 art 1 s 65]

Subd. 2b. [Repealed, 1990 c 604 art 4 s 21]

Subd. 2c. [Repealed, 1Sp2003 c 21 art 6 s 17]

Subd. 2d. **Aids determined as of June 30.** For aid amounts authorized under subdivision 3: (i) if the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is on or before June 30 of the year preceding the aid distribution year, the change in boundaries or form of government shall be recognized for aid determinations for the aid distribution year; (ii) if the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is after June 30 of the year preceding the aid distribution year, the change in boundaries or form of government shall not be recognized for aid determinations until the following year.

Subd. 2e. [Repealed, 2004 c 228 art 3 s 18]

Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified for each taxing district within each unique taxing jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon market values for taxes payable in the year prior to that for which aid is being computed. If the commissioner determines that insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a class rate change or new class rate is effective, the commissioner shall omit the effects of that class rate change or new class rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on market values for taxes payable in the year prior to that for which aid is being computed.

Subd. 3a. **Disparity reduction aid to cities.** Notwithstanding the provisions of subdivision 3 or section 275.08, subdivision 1d, the amount of disparity reduction aid for a city for aid payable in calendar year 1994 and thereafter is zero, and the local tax rate for taxes payable in 1994 and thereafter for a city shall not be adjusted under section 275.08, subdivision 1d. For purposes of this subdivision, city means a statutory or home rule charter city.

Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989, class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone, as defined in section 469.166; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000 according to the 1980 decennial census.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's market value and (ii) the tax on class 3a property to 2.3 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the Department of Revenue. The department shall reimburse local governments for the property taxes forgone as the result of the credits in proportion to their total levies.

Subd. 4a. [Repealed, 2007 c 13 art 2 s 11]

Subd. 4b. **Court expenditures; maintenance of effort.** (a) Until the costs of court administration as defined under section 480.183, subdivision 3, in a county have been transferred to the state, each county in a judicial district transferring court administration costs to state funding after July 1, 2001, shall budget for the funding of these costs an amount at least equal to the certified budget amount for calendar year 2001, increased by six percent for each year from 2001 to 2003 and by eight percent from 2004 to the year of the transfer. The county shall budget, fund, and authorize expenditures not less than the amount calculated under this paragraph.

(b) By July 15, 2001, the court shall certify to each county in the judicial district its cost of court administration as defined under section 480.183, subdivision 3, based on 2001 budgets. In making that determination, the court shall exclude the budget costs of the county for the following categories:

- (1) rent;
- (2) examiner of titles;
- (3) civil court appointed attorneys for civil matters;
- (4) hospitalization costs; and
- (5) cost of maintaining vital statistics.

The amount of funding provided by a county for courts that is increased by the maintenance of effort requirement may not be used by a county to pay the costs described in clauses (1) to (5).

Subd. 4c. [Repealed, 2007 c 13 art 2 s 11]

Subd. 4d. [Repealed, 1Sp2003 c 21 art 6 s 17]

Subd. 5. [Repealed, 1993 c 375 art 4 s 21]

Subd. 5a. [Repealed, 1Sp1993 c 1 art 2 s 7]

Subd. 5b. [Repealed, 1996 c 471 art 3 s 55]

Subd. 5c. [Repealed, 1Sp1993 c 1 art 2 s 7]

Subd. 6. **Payment.** The commissioner shall certify the aids provided in subdivision 3 before September 1 of the year preceding the distribution year to the county auditor of the affected local government. The aids provided in subdivision 3, must be paid to local governments other than school districts at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions, except that the first one-half payment of disparity reduction aid provided in subdivision 3 must be paid on or before August 31. The disparity reduction credit provided in subdivision 4 must be paid to taxing jurisdictions other than school districts at the time provided in section 473H.10, subdivision 3. Aids and credit reimbursements to school districts must be certified to the commissioner of education and paid under section 273.1392. Payment shall not be made to any taxing jurisdiction that has ceased to levy a property tax.

Subd. 7. [Repealed, 1994 c 587 art 3 s 21 para (b)]

Subd. 8. **Appropriation.** An amount sufficient to pay the aids and credits provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity, is annually appropriated from the general fund to the commissioner of education. An amount sufficient to pay the aids and credits provided under this section for counties, cities, towns, and special taxing districts is annually appropriated from the general fund to the commissioner of revenue. A jurisdiction's aid amount may be increased or decreased based on any prior year adjustments for homestead credit or other property tax credit or aid programs.

**History:** 1988 c 719 art 5 s 26,84; 1989 c 277 art 2 s 33-36; 1989 c 329 art 6 s 47; 1Sp1989 c 1; art 2 s 11; art 3 s 14-21,33; art 6 s 8; 1990 c 480 art 7 s 9-13; 1990 c 604 art 3 s 20; art 4 s 2-4; 1991 c 130 s 37; 1991 c 199 art 1 s 62; 1991 c 291 art 3 s 1-4; art 12 s 10; 1991 c 292 art 7 s 22; 1992 c 499 art 12 s 29; 1992 c 511 art 1 s 8,9; art 3 s 1; art 4 s 8,27; 1993 c 224 art 1 s 28,29; art 14 s 16; 1993 c 375 art 3 s 18-20; art 4 s 3-5; 1Sp1993 c 1 art 2 s 5; 1994 c 416 art 1 s 21,22; 1994 c 587 art 3 s 8; 1995 c 264 art 3 s 11; art 16 s 10; 1Sp1995 c 3 art 16 s 13; 1996 c 471 art 3 s 13-15; art 11 s 1; 1997 c 7 art 1 s 109,110; 1997 c 31 art 3 s 7; 1997 c 231 art 11 s 6; 1998 c 254 art 1 s 75; 1998 c 389 art 2 s 15-17; 1998 c 397 art 11 s 3; 1999 c 243 art 5 s 22,23; art 11 s 2,3; 2000 c 260 s 43; 2000 c 490 art 6 s 3; 1Sp2001 c 5 art 3 s 40; art 5 s 5-8; 2002 c 377 art 4 s 20,21; art 6 s 3,4; art 10 s 8; 2003 c 127 art 5 s 18,19; 2003 c 130 s 12; 1Sp2003 c 21 art 6 s 1-4; 2004 c 228 art 1 s 76 subd 7; art 3 s 6-9; 2006 c 259 art 5 s 5; 2008 c 154 art 13 s 30; 2008 c 277 art 1 s 58; 2012 c 294 art 2 s 7