CHAPTER 276A

TAX RELIEF AREA REVENUE DISTRIBUTION

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276A.01 DEFINITIONS.

Subdivision 1. **Applicability.** In sections 276A.01 to 276A.09, the terms defined in this section have the meanings given them unless the context indicates otherwise.

Subd. 2. **Area.** "Area" means the territory included within all taconite assistance areas defined in section 273.1341.

Subd. 3. **Commercial-industrial property.** "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of the property (i) that may, by law, constitute the tax base for a tax increment pledged pursuant to sections 469.174 to 469.178, certification of which was requested prior to May 1, 1996, to the extent and while the tax increment is so pledged; or (ii) that is exempt from taxation under section 272.02:

(1) that portion of class 5 property consisting of unmined iron ore and low-grade iron-bearing formations as defined in section 273.14, tools, implements, and machinery, except the portion of high-voltage transmission lines, the value of which is deducted from net tax capacity under section 273.425; and

(2) that portion of class 3 and class 5 property which is either used or zoned for use for any commercial or industrial purpose, including property that becomes taxable under section 298.25, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property must be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision are to the successor class or classes of property, or portions thereof, that include the kinds of property designated in this subdivision.

Subd. 4. **Residential property.** "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of the property that is exempt from taxation pursuant to section 272.02:

(1) class 1a, 1b, and 2a property, limited to the homestead dwelling, a garage, and the one acre of land on which the dwelling is located;

(2) that portion of class 3 property used exclusively for residential occupancy; and

(3) property valued and assessed under section 273.13, subdivision 25, except for hospitals and property valued and assessed under section 273.13, subdivision 25, paragraph (d), clauses (1) and (3).

Subd. 5. **Governmental unit.** "Governmental unit" means a county, city, town, school district, or other taxing unit or body which levies ad valorem taxes in whole or in part within the area.

Subd. 6. **Administrative auditor.** "Administrative auditor" means the person selected under section 276A.02.

Subd. 7. **Population.** "Population" means the most recent estimate of the population of a municipality made by the state demographer and filed with the commissioner of revenue as of July 15 of the year in which a municipality's distribution net tax capacity is calculated. The state demographer shall annually estimate the population of each municipality and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall file the estimates with the commissioner of revenue.

Subd. 8. **Municipality.** "Municipality" means a city, town, or township located in whole or part within the area. If a municipality is located partly within and partly without the area, the references in sections 276A.01 to 276A.09 to property or any portion thereof subject to taxation or taxing jurisdiction within the municipality are to the property or portion thereof that is located in that portion of the municipality within the area, except that the fiscal capacity of the municipality must be computed upon the basis of the valuation and population of the entire municipality. A municipality shall be excluded from the area if its municipal comprehensive zoning and planning policies conscientiously exclude most commercial-industrial development, for reasons other than preserving an agricultural use. The commissioner of Iron Range resources and rehabilitation and the commissioner of revenue shall jointly make this determination annually and shall notify those municipalities that are ineligible to participate in the tax base sharing program provided in this chapter for the following year. Before making the determination, the commissioner of Iron Range resources and rehabilitation must consult the Iron Range Resources and Rehabilitation Board.

Subd. 9. **County.** "County" means each county in which a governmental unit is located in whole or in part.

Subd. 10. **Adjusted market value.** "Adjusted market value" of real and personal property within a municipality means the taxable market value, as defined in section 272.03, of all real and personal property, including the value of manufactured housing, within the municipality, adjusted for sales ratios in a manner similar to the adjustments made to city and town net tax capacities under section 273.1325, subdivisions 1 to 6.

Subd. 11. MS 2012 [Repealed, 2013 c 143 art 14 s 111]

Subd. 12. **Fiscal capacity.** "Fiscal capacity" of a municipality means its adjusted market value, determined as of January 2 of any year, divided by its population, determined as of a date in the same year.

Subd. 13. **Average fiscal capacity.** "Average fiscal capacity" of municipalities means the sum of the adjusted market values of all municipalities, determined as of January 2 of any year, divided by the sum of their populations, determined as of a date in the same year.

Subd. 14. **Levy.** "Levy" means the amount certified to the county auditor pursuant to chapter 275, less all reductions made by the auditor pursuant to any provision of law in determining the amount to be spread against taxable property.

Subd. 15. **Net tax capacity.** "Net tax capacity" means the taxable market value of real and personal property multiplied by its net tax capacity rates in section 273.13.

Subd. 16. **Local tax rate.** "Local tax rate" means a governmental unit's levy, including any portion levied against market value under section 126C.17, subdivision 10, divided by its net tax capacity.

Subd. 17. **School fund allocation.** (a) "School fund allocation" means an amount up to 25 percent of the areawide levy certified by the commissioner of Iron Range resources and rehabilitation, after consultation with the Iron Range Resources and Rehabilitation Board, to be used for the purposes of the Iron Range schools and community development account under section 298.28, subdivision 7a.

(b) The allocation under paragraph (a) shall only be made after the commissioner of Iron Range resources and rehabilitation, after consultation with the Iron Range Resources and Rehabilitation Board, has certified by June 30 that the Iron Range schools and community development account has insufficient funds to make payments as authorized under section 298.28, subdivision 7a.

History: *1996 c 471 art 11 s 3; 1997 c 31 art 3 s 11; 1998 c 397 art 11 s 3; 1Sp2001 c 5 art 6 s 10; art 15 s 1; 1Sp2003 c 21 art 11 s 11; 2005 c 151 art 4 s 3; 2008 c 154 art 8 s 1; 2012 c 294 art 2 s 8; 2013 c 143 art 14 s 36-39,110; 2014 c 150 art 6 s 4; 2014 c 275 art 1 s 92; 2017 c 94 art 7 s 16,17; 2024 c 127 art 69 s 5*

276A.02 ADMINISTRATIVE AUDITOR.

Subdivision 1. **Election.** On or before July 1, 1997, and each subsequent odd-numbered year, the auditors of the counties within the area shall meet at the call of the auditor of St. Louis County and elect from among themselves one auditor to serve as administrative auditor for a period of two years and until a successor is elected. If a majority is unable to agree upon a person to serve as administrative auditor, the commissioner of revenue shall appoint one from among the auditors of the counties in the area. If the administrative auditor ceases to serve as a county auditor within the area during the term for which the administrative auditor was elected or appointed, a successor must be chosen in the manner provided for the original selection to serve for the unexpired term.

Subd. 2. **Staff; expenses.** The administrative auditor shall utilize the staff and facilities of the auditor's office of the county the administrative auditor serves to perform the functions imposed upon the administrative auditor by sections 276A.01 to 276A.09. That county shall be reimbursed for the marginal expenses incurred by its county auditor and staff under this section by contributions from each other county in the area in an amount which bears the same proportion to the total expenses that the population of the other county bears to the total population of the area. By February 1 each year, the administrative auditor shall certify the amounts of total expense for the preceding calendar year, and the share of each county, to the treasurer of each other county. Payment must be made by the treasurer of each other county to the treasurer of the county incurring expense by the succeeding March 1.

History: *1986 c 444; 1996 c 471 art 11 s 4*

276A.03 NET TAX CAPACITY OF COMMERCIAL-INDUSTRIAL PROPERTY.

By August 5 of 1996 and each subsequent year, the assessors within each county in the area shall determine and certify to the county auditor the net tax capacity in that year of commercial-industrial property subject to taxation within each municipality in the county, determined without regard to section 469.177, subdivision 3. By August 5 of 1996 only, the assessor within each county in the area shall also determine and certify to the county auditor the net tax capacity for the 1995 assessment of commercial-industrial property subject to taxation within each municipality within the county determined without regard to section 469.177, subdivision 3.

History: *1996 c 471 art 11 s 5*

276A.04 INCREASE IN NET TAX CAPACITY.

By July 15 of 1997 and each subsequent year, the auditor of each county in the area shall determine the amount, if any, by which the net tax capacity determined in the preceding year pursuant to section 276A.03, of commercial-industrial property subject to taxation within each municipality in the county exceeds the net tax capacity in 1995 of commercial-industrial property subject to taxation within that municipality, including the total net tax capacity of property that becomes taxable under section 298.25. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 276A.03 to the county auditor responsible for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 276A.05. The increase in total net tax capacity determined by this section must be reduced by the amount of any decreases in the net tax capacity of commercial-industrial property resulting from any court decisions, court-related stipulation agreements, or abatements for a prior year, and only in the amount of such decreases made during the 12-month period ending on May 1 of the current assessment year, where the decreases, if originally reflected in the determination of a prior year's net tax capacity under section 276A.03, would have resulted in a smaller contribution from the municipality in that year. An adjustment for the decreases shall be made only if the municipality made a contribution in a prior year based on the higher net tax capacity of the commercial-industrial property.

History: *1996 c 471 art 11 s 6; 2008 c 154 art 8 s 2*

276A.05 COMPUTATION OF AREAWIDE TAX BASE.

Subdivision 1. **Areawide net tax capacity.** Each county auditor shall certify the determinations under sections 276A.03 and 276A.04 to the administrative auditor on or before August 1 of each year. The administrative auditor shall determine an amount equal to 40 percent of the sum of the amounts certified pursuant to section 276A.04. The resulting amount shall be known as the "areawide net tax capacity for .....(year)."

Subd. 2. **Population and fiscal capacity certifications.** The commissioner of revenue shall certify to the administrative auditor, on or before August 10 of each year, the population of each municipality for the preceding year, the proportion of that population which resides within the area, the average fiscal capacity of municipalities for the preceding year, and the fiscal capacity of each municipality for the preceding year.

Subd. 3. **Areawide tax base distribution index.** The administrative auditor shall determine, for each municipality, the product of (1) its population, (2) the proportion which the average fiscal capacity of municipalities for the preceding year bears to the fiscal capacity of that municipality for the preceding year. The product shall be the areawide tax base distribution index for that municipality. If a municipality is located partly within and partly without the area, its index is that which is otherwise determined hereunder, multiplied by the proportion which its population residing within the area bears to its total population as of the preceding year.

Subd. 4. **Distribution net tax capacity.** The administrative auditor shall determine the proportion which the index of each municipality bears to the sum of the indices of all municipalities and shall then multiply this proportion in the case of each municipality, by the areawide net tax capacity.

Subd. 5. **Certification.** The product of the procedure prescribed by subdivision 4 shall be known as the "areawide net tax capacity for .....(year) attributable to .....(municipality)." The administrative auditor

shall certify the product to the auditor of the county in which the municipality is located on or before August 15.

History: *1996 c 471 art 11 s 7*

276A.06 NET TAX CAPACITY OF GOVERNMENTAL UNIT.

Subdivision 1. **Generally.** The county auditor shall determine the net tax capacity of each governmental unit within the county in the manner prescribed by this section.

Subd. 2. **Definition.** The net tax capacity of a governmental unit is its net tax capacity as determined in accordance with other provisions of law including section 469.177, subdivision 3, subject to the following adjustments:

(1) There must be subtracted from its net tax capacity, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount that bears the same proportion to 40 percent of the amount certified in that year pursuant to sections 276A.04 and 276A.05 for the municipality as the total preceding year's net tax capacity of commercial-industrial property which is subject to the taxing jurisdiction of the governmental unit within the municipality, determined without regard to section 469.177, subdivision 3, bears to the total preceding year's net tax capacity of commercial-industrial property within the municipality, determined without regard to section 469.177, subdivision 3.

(2) There must be added to its net tax capacity, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to the areawide net tax capacity for the year attributable to that municipality as the total preceding year's net tax capacity of residential property which is subject to the taxing jurisdiction of the governmental unit within the municipality bears to the total preceding year's net tax capacity of residential property of the municipality.

Subd. 3. **Apportionment of levy.** The county auditor shall apportion the levy of each governmental unit in the county in the manner prescribed by this subdivision. The auditor shall:

(1) by August 20 of 2014 and each subsequent year, determine the preliminary areawide portion of the levy for each governmental unit by multiplying the local tax rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (2);

(2) by September 5 of 2014 and each subsequent year, determine the areawide portion of the levy for each governmental unit by multiplying the preliminary areawide portion of the levy for each governmental unit times a fraction, the numerator of which is the difference between the sum of the preliminary areawide levies for all governmental units in the area minus the school fund allocation and the denominator is the sum of the preliminary areawide levy for all governmental units in the area; and

(3) by September 5 of 2014 and each subsequent year, determine the local portion of the current year's levy by subtracting the resulting amount from clause (1) from the governmental unit's current year's levy.

Subd. 4. **Tax rate noncommercial property.** In 1997 and subsequent years, the county auditor shall divide that portion of the levy determined pursuant to subdivision 3, clause (2), by the net tax capacity of the governmental unit, taking section 469.177, subdivision 3, into account, less that portion subtracted from net tax capacity pursuant to subdivision 2, clause (1). The resulting rate applies to all taxable property except commercial-industrial property, which must be taxed in accordance with subdivision 7.

Subd. 5. **Areawide tax rate.** On or before August 25, 1997, and each subsequent year, the county auditor shall certify to the administrative auditor the preliminary portion of the levy of each governmental unit

determined pursuant to subdivision 3, clause (1). The administrative auditor shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of the levies from the preliminary areawide net tax capacity. On or before September 1, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

Subd. 6. **Governmental unit in two or more counties.** If a governmental unit is located in two or more counties, the computations and certifications required by subdivisions 3 to 5 with respect to it must be made by the county auditor who is responsible for allocating its levies between or among the affected counties.

Subd. 7. **Application to commercial-industrial property.** The areawide tax rate determined in accordance with subdivision 5 applies to each commercial-industrial property subject to taxation within a municipality, including property located within any tax increment financing district, as defined in section 469.174, subdivision 9, to that portion of the net tax capacity of the item which bears the same proportion to its total net tax capacity as 40 percent of the amount determined pursuant to sections 276A.04 and 276A.05 is to the amount determined pursuant to section 276A.03. The rate of taxation determined in accordance with subdivision 4 applies in the taxation of the remainder of the net tax capacity of the item.

Subd. 8. **Certification of values; payment.** The administrative auditor shall determine for each county the difference between the total levy on distribution value pursuant to subdivision 3, clause (1), including the school fund allocation within the county and the total tax on contribution value pursuant to subdivision 7, within the county. On or before May 16 of each year, the administrative auditor shall certify the differences so determined and the county's portion of the school fund allocation to each county auditor. In addition, the administrative auditor shall certify to those county auditors for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total levy on distribution value in the county. On or before June 15 and November 15 of each year, each county treasurer in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay one-half of the excess to the other counties in accordance with the administrative auditor's certification. On or before June 15 and November 15 of each year, each county treasurer shall pay to the administrative auditor that county's share of the school fund allocation. On or before December 1 of each year, the administrative auditor shall pay the school fund allocation to the commissioner of Iron Range resources and rehabilitation for deposit in the Iron Range schools and community development account.

Subd. 9. **Fiscal disparities adjustment.** In any year in which the highest classification rate for class 3a property changes from the rate in the previous year, the following adjustments shall be made to the procedures described in sections 276A.04 to 276A.06:

(1) An initial contribution tax capacity shall be determined for each municipality based on the previous year's classification rates.

(2) Each jurisdiction's distribution tax capacity shall be determined based upon the areawide tax base determined by summing the tax capacities computed under clause (1) for all municipalities and apportioning the resulting sum pursuant to section 276A.05, subdivision 5.

(3) Each jurisdiction's distribution levy shall be determined by applying the procedures described in subdivision 3, clause (1), to the distribution tax capacity determined pursuant to clause (2).

(4) Each municipality's final contribution tax capacity shall be determined equal to its initial contribution tax capacity multiplied by the ratio of the new highest classification rate for class 3a property to the previous year's highest classification rate for class 3a property.

(5) For the purposes of computing education aids and any other state aids requiring the addition of the fiscal disparities distribution tax capacity to the local tax capacity, each municipality's final distribution tax capacity shall be determined equal to its initial distribution tax capacity multiplied by the ratio of the new highest classification rate for class 3a property to the previous year's highest classification rate for class 3a property.

(6) The areawide tax rate shall be determined by dividing the sum of the amounts determined in clause (3) by the sum of the values determined in clause (4).

(7) The final contribution tax capacity determined in clause (4) shall also be used to determine the portion of each commercial-industrial property's tax capacity subject to the areawide tax rate pursuant to subdivision 7.

Subd. 10. **Adjustment of values.** For the purpose of computing fiscal capacity under section 276A.01, subdivision 12, a municipality's taxable market value must be adjusted to reflect the reductions to net tax capacity effected by subdivision 2, clause (1), provided that in determining the taxable market value of commercial-industrial property or any class thereof within a municipality, the reduction required by this subdivision is that amount which bears the same proportion to the amount subtracted from the municipality's net tax capacity pursuant to subdivision 2, clause (1), as the taxable market value of commercial-industrial property, or such class thereof, located within the municipality bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the municipality. No adjustment shall be made to taxable market value for the increase in net tax capacity under subdivision 2, clause (2).

History: *1996 c 471 art 11 s 8; 1Sp2001 c 5 art 3 s 57; 2013 c 143 art 14 s 40; 2014 c 150 art 6 s 5-7; 2014 c 308 art 5 s 1,2; art 10 s 12; 2017 c 40 art 1 s 97; 2017 c 94 art 7 s 18; 2024 c 127 art 69 s 6*

276A.07 ADJUSTMENTS IN DATES.

If, because of the enactment of any other law, the date by which the commissioner of revenue is required to certify to the county auditors the records of proceedings affecting the net tax capacity of property is advanced to a date earlier than June 30, the dates specified in sections 276A.03 to 276A.06 and 276A.08 may be modified in the years to which the other law applies in the manner and to the extent prescribed by the administrative auditor.

History: *1996 c 471 art 11 s 9*

276A.08 REASSESSMENTS AND OMITTED PROPERTY.

Subdivision 1. **Reassessment orders.** If the commissioner of revenue orders a reassessment of all or any portion of the property in a municipality other than in the form of a mathematically prescribed adjustment of valuation, or if omitted property is placed upon the tax rolls, and the reassessment has not been completed or the property placed upon the rolls by November 15, the net tax capacity of the affected property must, for purposes of sections 276A.02 to 276A.06, be determined from the abstracts filed by the county auditor with the commissioner of revenue.

Subd. 2. **Adjustment of value.** If the reassessment, when completed and incorporated in the commissioner's certification of the net tax capacity of the municipality, or the listing of omitted property, when placed on the rolls, results in an increase in the net tax capacity of commercial-industrial property in the municipality which differs from that used, pursuant to subdivision 1, for purposes of sections 276A.02 to 276A.06, the increase in the net tax capacity of commercial-industrial property in that municipality in the succeeding year, as otherwise computed under section 276A.04, must be adjusted in a like amount, by an increase if the reassessment or listing discloses a larger increase than was used for purposes of sections

276A.02 to 276A.06, or by a decrease if the reassessment or listing discloses a smaller increase than was used for those purposes, provided that no adjustment shall reduce the amount determined under section 276A.04 to an amount less than zero.

Subd. 3. **Exceptions.** Subdivisions 1 and 2 do not apply to the determination of the tax rate under section 276A.06, subdivision 4, or to the determination of the net tax capacity of commercial-industrial property and each item thereof for purposes of section 276A.06, subdivision 7.

History: *1996 c 471 art 11 s 10*

276A.09 CHANGE IN STATUS OF MUNICIPALITY.

If a municipality is dissolved, is consolidated with all or part of another municipality, annexes territory, has a portion of its territory detached from it, or is newly incorporated, the secretary of state shall immediately certify that fact to the commissioner of revenue. The secretary of state shall also certify to the commissioner of revenue the current population of the new, enlarged, or successor municipality, if determined by the chief administrative law judge of the state Court of Administrative Hearings incident to consolidation, annexation, or incorporation proceedings. The population so certified shall govern for purposes of sections 276A.01 to 276A.09 until the state demographer files the first population estimate as of a later date with the commissioner of revenue. If an annexation of unincorporated land occurs without proceedings before the chief administrative law judge of the state Court of Administrative Hearings, the population of the annexing municipality as previously determined shall continue to govern for purposes of sections 276A.01 to 276A.09 until the state demographer files the first population estimate as of a later date with the commissioner of revenue.

History: *1996 c 471 art 11 s 11; 2003 c 2 art 5 s 5; 2008 c 196 art 2 s 4; 2025 c 39 art 2 s 68*