

S.F. No. 2232 – Property Tax Subcommittee Report (SCS2232A-1 Delete-Everything Amendment)

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Article 1: Property Tax and Aids & Credits

Section 1. Fire Protection and Emergency Medical Services Special Taxing Districts. Authorizes the establishment of fire protection special taxing districts and modifies current law authority for emergency medical services special taxing districts.

Subdivision 1. Definitions. Defines “political subdivision,” “governing body,” and “emergency medical services.”

Subdivision 2. Authority to establish. Authorizes two or more political subdivisions to establish a special taxing district to provide fire protection or emergency medical services, or both. Prior to establishment, an agreement must be entered into between participating political subdivisions concerning how any liabilities, other than debt, and assets, will be distributed if the district is dissolved. A special taxing district operating a fire department may be associated with only one volunteer firefighting relief association or one account in the voluntary firefighting retirement plan at one time.

Subdivision 3. Board. Requires that each political subdivision’s representative to the district board be an elected member of the governing body of the political subdivision they represent.

Subdivision 4. Property tax levy. Authorizes the district board to levy a tax on taxable property in the district or apportion its levy among the participating political subdivisions under a formula with factors including population, number of service calls, or costs of providing service.

Subdivision 5. Use of levy proceeds. Requires that levy proceeds be used to provide fire protection, emergency medical services, or both, to residents and property located within the district, in addition to paying debt authorized under subdivision 6.

Subdivision 6. Debt. Authorizes the district to incur debt, and issue certificate of indebtedness or capital notes to purchase capital equipment.

Subdivision 7. Powers. Provides the district with the same powers and authorities granted to participating political subdivisions that are necessary to support the services of the district.

Subdivision 8. Additions and withdrawals. Allows political subdivisions to be added or withdrawn from an existing district. A political subdivision that wishes to withdraw from a district must provide two years' notice, and must continue to pay its share of any debt issued during the time the political subdivision was a member of the district.

Subdivision 9. Dissolution. Authorizes the dissolution of the district by majority vote of its board. Any outstanding assets and liabilities are assigned according to the district's founding agreement. A district may not be dissolved until all issued debt has been paid.

Subdivision 10. Reports. Requires that on or before March 15, 2024, and 2026: (1) each special taxing district established under this section submit a levy and expenditure report to the legislature; and (2) each political subdivision that establishes, or joins, a special taxing district under this section, submit a levy and expenditure report to the legislature.

Effective Date. This section is effective the day following final enactment and applies to districts established after June 30, 2021, except that districts established prior to June 30, 2021, are eligible for changes made to subdivisions 4 and 6 beginning with property taxes payable in 2022.

Section 2. Agricultural Relative Homestead; General Rule. Expands "qualifying relatives" for purposes of agricultural relative homestead by including grandparents, stepparents, stepchildren, uncles, aunts, nephews, and nieces of the owner or the owner's spouse. Effective beginning with property taxes payable in 2022.

Section 3. Class 4d; Notice. Requires an annually updated notice be posted in all properties classified as class 4d, providing notice that the building is classified in whole or in part as low-income rental housing, and providing the income and rent restrictions required under the 4d program. Effective beginning with property taxes payable in 2022.

Section 4. Class 4d; Approval. Requires that a property owner receive approval by the governing body of the city or town where the property is located before applying to the Housing Finance Agency for initial class 4d designation, for property that was not, in whole or in part, classified as class 4d prior to assessment year 2022. A property owner that received the necessary approval under this section, and the required certification from the Housing Finance Agency, is not required to seek approval prior to submitting an application in each subsequent year. Effective beginning with property taxes payable in 2022.

Section 5. Class 4d; Application. Adds the additional requirements from Sections 3 and 4 to the application submitted to the Housing Finance Agency for class 4d designation. Effective beginning with property taxes payable in 2022.

Section 6. Class 4d; Class Rate. Sets the class rate for class 4d low-income rental properties at 0.25%. Under current law, class 4d properties are subject to two valuation tiers per rental unit: a class rate of 0.75% on the first-tier amount and a class rate of 0.25% on the value exceeding the first-tier amount. Effective beginning with taxes payable in 2022.

Section 7. Licensed In-Home Child Care Provider Credit. Establishes a licensed in-home child care provider property tax credit.

Subdivision 1. Eligibility. Provides that residential homestead property and agricultural homestead property consisting of the house, garage, and surrounding one acre of land, and used to operate licensed in-home child care, is eligible for the property tax credit established under this section.

Subdivision 2. Notice. Requires that by July 1, 2021, and each June 1st thereafter, the commissioner of human services must provide each county with a list of all licensed family day care providers located within the county.

Subdivision 3. Credit amount. Provides that the credit amount for qualifying properties is equal to 50% of the amount of net tax owed on the property for the current taxes payable year after subtracting all other applicable property tax credits.

Subdivision 4. Credit reimbursement. Requires each county auditor to determine the tax reductions resulting from the credit and certify the amount to the commissioner of revenue.

Subdivision 5. Payment. Requires the commissioner of revenue to reimburse each local taxing jurisdiction, other than school districts, for the tax reductions resulting from the credit. The commissioner of revenue must certify the total amount of tax reductions to each school district to the commissioner of education who must then reimburse each school district.

Subdivision 6. Appropriation. Appropriates an amount sufficient to make the payments required under subdivision 5 from the general fund to the commissioners of revenue and education.

Effective beginning with property taxes payable in 2022.

Section 8. Licensed In-Home Child Care Provider Credit; Payment; School Districts. Adds the licensed in-home child care provider property tax credit to the list of credits certified by the Department of Revenue to the Department of Education. Effective July 1, 2022.

Section 9. Licensed In-Home Child Care Provider Credit; Computation of Net Property Taxes. Adds the licensed in-home child care provider property tax credit to the list of property tax credits used to determine a property's net tax. Effective beginning with property taxes payable in 2022.

Section 10. State General Levy; Levy Amount. Reduces the state general levy for commercial-industrial property by \$26.3 million, and the state general levy for seasonal-recreational properties by \$2 million. Effective beginning with property taxes payable in 2022 and thereafter.

Section 11. State General Tax; Commercial-Industrial Tax Capacity. Increases the market value exclusion on commercial-industrial property subject to the state general tax, from the first \$100,000

of market value to the first \$150,000 of market value. Effective beginning with property taxes payable in 2022 and thereafter.

Section 12. Notice of Proposed Property Taxes. Requires fire and ambulance special taxing districts to hold truth-in-taxation hearings, and requires that the licensed in-home child care provider property tax credit be separately stated on the truth-in-taxation (TNT) notice. Effective beginning with property taxes payable in 2022.

Section 13. Special Taxing Districts; Definition. Makes a conforming change to the statutory list of special taxing districts to reflect the authorization to establish fire protection special taxing districts. Effective the day following final enactment.

Section 14. Contents of Tax Statements. Requires the licensed in-home child care provider property tax credit be separately stated on the final property tax statement. Effective beginning with property taxes payable in 2022.

Section 15. Income; Homestead Credit and Renter's Refund. Excludes veterans disability compensation, to the extent not included in federal adjusted income, from the definition of "income" used for purposes of the Homestead Credit Refund and the Renter's Property Tax Refund. Effective for refund claims based on property taxes payable in 2022 and rent paid in 2021, and thereafter.

Sections 16 and 17. Energy Improvements Authorized; Petition by All Owners. Authorizes a city to impose special assessments to construct, reconstruct, alter, extend, operate, maintain, and promote energy improvements in existing buildings, provided that: (1) a petition is made by a property owner; (2) the municipality funds and administers the improvement project; (3) project funds are used only for the installation of improvements to heating, ventilation, and air conditioning equipment and building envelope and for the installation of renewable energy systems; (4) each property owner is notified that free or low-cost energy improvements may be available; (5) for improvements on residential property, only residential property having five or more units may qualify; and (6) prior to financing or imposing an assessment, written notice is provided to the mortgage lender. Effective for special assessments payable in 2022 and thereafter.

Section 18. Supplemental 2022 City Aid Distribution. Provides supplemental aid for a city for which the local government aid (LGA) certified for payable 2022 is less than the amount certified for the city in 2021. The amount of supplemental aid for each city is equal to the reduction in LGA between 2021 and 2022. Requires the commissioner to notify a city of its supplemental aid amount and pay the aid on the same schedule as for LGA in calendar 2022. Clarifies that the supplemental aid amount is excluded from the calculation of LGA for 2023. Appropriates money for the supplemental aid. Effective for aids payable in calendar year 2022.

Article 2: Tax Increment Financing

Section 1. City of Bloomington; TIF Authority; American Boulevard. Authorizes the city of Bloomington, or its HRA, to establish a redevelopment district comprised of specified parcels. If established, the district is exempt from the "blight test" finding for redevelopment districts and the requirement that 90% of increment generated from the district be spent on correcting blight. In addition, increment spent on undergrounding or overhead power lines, transformers, and related utility infrastructure within the program area are deemed in-district expenditures. Effective upon city approval and filing requirements.

Section 2. City of Bloomington; TIF Authority; 98th & Aldrich. Authorizes the city of Bloomington, or its HRA, to establish a redevelopment district comprised of specified parcels. If established, the district is exempt from the “blight test” finding for redevelopment districts, and the requirement that 90% of increment generated from the district must be spent on correcting blight. Effective upon city approval with approval and filing requirements.

Section 3. City of Burnsville; TIF Authority; Burnsville Center Mall. Authorizes the city of Burnsville to establish one or more redevelopment districts limited to parcels comprising the Burnsville Center mall, together with adjacent roads and rights-of-way. If established, the districts are exempt from the “blight test” finding for redevelopment districts and the requirement that 90% of increment be spent on correcting blight. In addition, increments spent on construction and acquisition of property for a bridge, tunnel, or other connector related to the subject property are deemed in-district expenditures. Effective upon city approval and filing requirements.

Section 4. City of Mountain Lake; TIF District No. 1-8; Five-Year Rule Extension. Extends, by five years, the five-year rule for TIF District No. 1-8. A conforming change to the six-year rule is also made. Effective upon city approval and filing requirements.

Section 5. City of Ramsey; TIF District No. 14; Five -Year Rule Extension. Extends, by an additional five years, the five-year rule for TIF District No. 14. A conforming change to the six-year rule is also made. Effective upon city approval and filing requirements.

Section 6. City of Wayzata; TIF District No. 6; Expenditures Allowed. Authorizes the city of Wayzata to expend increment generated from TIF District No. 6 for the design and construction of a lakefront pedestrian walkway and public access infrastructure related to the Panoway on Wayzata Bay Project, and all such expenditures are deemed expended on activities within the district. Effective upon city approval and filing requirements.

Section 7. City of Windom; TIF District No. 1-22; Five-Year Rule Extension; Duration Extension. Extends, by five years, both the five-year rule, and the district’s duration, for TIF District No. 1-22. A conforming change is made the six-year rule. Effective upon city approval and filing requirements, except that the duration extension requires approval by the city, county, and school district.

Section 8. Affordable Housing Development Tax Assistance Report. Requires the commissioner of revenue, in consultation with the Minnesota Housing Finance Agency, the Minnesota State Auditor, the League of Minnesota Cities, and the Association of Minnesota Counties, to issue a report on affordable housing projects paid for in whole, or in part, by tax increment or through a city or county housing trust fund for local housing development. An accounting of all authorized expenditures from each established housing trust fund is also required. The report is due to the legislature by January 31, 2022. Effective the day following final enactment.