

Minnesota Department of Revenue
Property Tax Division

Property Tax Law Summary

2011 First Special Session



2011
First Special Session

MINNESOTA ▪ REVENUE

Date: August 11, 2011
To: All Property Tax Administrators
From: John Hagen, Director – Property Tax Division
Subject: 2011 Property Tax Law Summary – First Special Session

The Property Tax Division of the Minnesota Department of Revenue is pleased to provide this summary of the law changes related to property taxes that were enacted during the first Special Session of the 2011 Minnesota Legislature. This summary is a helpful supplement to the Regular Session summary that was finalized on June 24, 2011.

The purpose of the *Property Tax Law Summary* is to provide property tax administrators and their service organizations with an organized and condensed source of information to make them aware of the many legislative changes affecting property tax laws this year.

As was noted in the regular session summary, except for a few cases that may involve the Department of Revenue, the property tax law summary does not cover property tax laws specifically relating to school districts. This dimension of the property tax system is covered by the Minnesota Department of Education, which can be reached via 651-582-8566.

Finally, the *Property Tax Law Summary* could not have been produced without the knowledge and skills of many people inside and outside the Property Tax Division of the Department of Revenue. The division wishes to acknowledge the contributions of the Appeals and Legal Services Division of the Department of Revenue, Minnesota House and Senate Research staff, and all others who provided invaluable information in developing this new law summary.

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Assessment

Exempt Property

Exemption extension for economic development First Special Session Chapter 7, Article 5, section 3

Amends section 272.02, subdivision 39

This section grants an extension to the existing exemption for specific public property held for economic development purposes from eight years to nine years. The exemption of 15 years for property located in a city of 5,000 population or under that is located outside the metropolitan area was not changed.

Effective Date: For taxes levied in 2011, payable in 2012, and thereafter.

Electric generation facility; personal property First Special Session Chapter 7, Article 5, section 4

Amends section 272.02 by adding subdivision 96

This exemption is targeted at a facility proposed to be built in the City of Fairmont. For attached machinery and other personal property to qualify for an exemption under this provision, it must be part of a multiple reciprocating engine electric generation facility that adds more than 20 and less than 30 megawatts of installed capacity at a site where there is presently more than ten megawatts and fewer than 15 megawatts of installed capacity.

At the time of construction, the facility must be designed to utilize natural gas as a primary fuel; be owned and operated by a qualifying municipal power agency; be located within one mile of an existing natural gas pipeline; be designed with specific startup and emergency backup power; have received resolution by the governing bodies of the city and county where the personal property is located; and the facility must meet all other requirements under this subdivision. Construction must begin after December 31, 2011 but prior to January 1, 2015.

If all requirements are met, the facility is exempt from both *ad valorem* property taxes and payments in lieu of taxation.

The exemption does not include electric transmission lines and interconnections, or gas pipelines and interconnections appurtenant to the property. The exemption does not include property located on the site on the enactment date of this subdivision.

Effective Date: For assessments in 2012, payable in 2013, and thereafter.

Property used in mining subject to net proceeds tax **First Special Session Chapter 7, Article 7, section 1**

Amends section 272.02 by adding subdivision 97

This provision grants an exemption from property tax for property used for mining that is subject to the net proceeds tax in section 298.015. This affirms a pre-existing provision in section 273.11, subdivision 1. The exemption applies only after mining, quarrying, producing, or refining has started. The exemption includes lands, and all real and personal property used in mining, quarrying, producing, or refining ores, minerals, or metals. The exemption applies for each year that an individual subject to the tax under section 298.015 (the net proceeds tax on mining) uses the property for mining, producing, or refining ores, metals, or minerals.

Effective date: For taxes payable in 2012 and thereafter.

Exclusions/Value Limitations

Homestead Market Value Exclusion **First Special Session Chapter 7, Article 6, section 3**

Amends section 273.13 by adding subdivision 35

This provision provides a market value exclusion to properties classified as 1a or 1b, as well as the portion of class 2a property that consists of the homesteaded house, garage, and one acre of land. The market value exclusion replaces the homestead market value credit that is repealed in article 6, section 27.

Calculation of the homestead market value exclusion closely follows the calculation steps previously used to calculate the homestead market value credit. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

If a portion of a property is classified as nonhomestead solely because not all of the owners occupy the property, not all of the owners have qualifying relatives occupying the property, or solely because not all of the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. When an owner-occupant's spouse does not occupy the property (and the property does not receive a full homestead for the allowable instances in statute), the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero. With respect to rounding, however, note that authority remains under section 276.04, subdivision 2, to round tax amounts to the nearest even whole dollar.

The homestead market value exclusion is taken after any valuation exclusions or adjustments in 273.11 (which includes the platted vacant land, "This Old House," "This Old Business," mold, and lead hazard exclusions), making it the last adjustment in determining the taxable market value used to compute net tax capacities.

The agricultural market value credit was not repealed, nor do agricultural homestead properties qualify for value exclusion beyond that described above for the HGA.

Effective Date: For taxes payable in 2012 and thereafter.

Special Valuations and Deferrals

Market Value Exclusion for Homesteads of Disabled Veterans or Family Caregivers First Special Session Chapter 7, Article 5, section 8

Amends section 273.13, subdivision 34

This section makes three significant changes to the disabled veterans' market value exclusion provision.

Surviving Spouses of Permanently and Totally Disabled Veterans

For surviving spouses of veterans who had previously qualified for exclusion under this section as totally (100 percent) and permanently disabled, the exclusion carries over to the benefit of the surviving spouse for five additional taxes payable years after the year of the veteran's death. Under 2010 statute, the exclusion carried over for one additional assessment year after the year of the qualifying veteran's death (i.e., two taxes payable years). Under changes made to this section, surviving spouses would continue to receive the benefit for the taxes payable year of the veteran's death, as well as for the current and four additional assessment years, for a total of five total taxes payable years after the year of the veteran's death.

The benefit would end after the four additional assessment years after the year of the veteran's death, or "until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first." The removal of exclusion upon remarriage is also new with this law change.

If a property had initially received the exclusion for the 2008 assessment year, and the qualifying veteran passed away that year, the surviving spouse would have been eligible to receive the exclusion for the 2008 and 2009 assessment years (taxes payable in 2009 and 2010) under previous statute. These surviving spouses did not receive the exclusion for the 2010 assessment for taxes payable in 2011. However, the effective date of this language provides:

"A qualifier under paragraph (c) [surviving spouses of permanently and totally disabled veterans] that would have been eligible for a market value exclusion under this section for taxes payable in 2011, if the change under this section had been effective for that year, shall be eligible to receive the benefit of the exclusion for the remaining number of total taxes payable years provided under paragraph (c)."

This means that surviving spouses who received the benefit for taxes payable in 2009 and 2010 should also receive the benefit for taxes payable in 2012, 2013, and 2014 – five total payable years. This assumes the surviving spouse has not remarried, nor has sold, transferred, or otherwise disposed of the property. If a permanently and totally disabled veteran passes away in 2012, the surviving spouse would receive the benefit for taxes payable in 2012 (based on the 2011 assessment as the veteran's exclusion), as well as for taxes payable in 2013, 2014, 2015, 2016, and 2017 (based on assessment years 2012 [the year of the veteran's death], 2013, 2014, 2015, and 2016).

Applications for continuation of benefit for surviving spouses are now due annually by July 1 for that assessment year; for 2011, applications for surviving spouses may be made as late as August 16, 2011. Counties are not required to abate the taxes payable in 2011.

Surviving Spouses of Service Members Who Die in Active Service

The exclusion is also newly applicable to surviving spouses of service members of any branch of the armed forces who die due to a service-connected cause while serving honorably in active duty as indicated on United States Government Form DD1300 or DD2064. The surviving spouse must be the legal or beneficial title holder to the homestead residence and permanently reside there. The benefit for these surviving spouses is a maximum of \$300,000 of excluded value for five taxes payable years, or until such time as the surviving spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first.

A first-time application for surviving spouses of service members killed in action may be made at any time within two years of the death of the service member. This means that a surviving spouse of a service member who died in action in 2010 or 2011 may apply by July 1, 2012 to qualify for taxes payable in 2013. Applications must be annually submitted under this provision. Applications may first be made by July 1, 2012 for taxes payable in 2013.

Primary Family Caregivers

Primary family caregivers of qualifying disabled veterans are now also eligible for the exclusion. In this case, the veteran may not own homestead property, but the veteran's primary family caregiver's homestead would be eligible for the same benefit as the veteran (maximum \$150,000 or \$300,000 exclusion, depending on the veteran's disability rating). A primary family caregiver is defined as a person who is approved by the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers (codified as US Code, title 38, section 1720G).

For primary family caregivers, annual applications are required to be submitted by July 1 to be eligible for that assessment year. Applications may first be made by July 1, 2012 for taxes payable in 2013.

Other Changes

Additionally, this section made clarifying changes to cross-reference that properties that qualify for the disabled veterans' market value exclusion are not additionally eligible for the homestead market value exclusion created under article 6, section 3. A purpose statement was also added.

Effective date: For taxes payable in 2012 and thereafter, and for homesteads that initially qualified for exclusion for taxes payable in 2009 and thereafter.

Property Tax Aids & Credits

County Program Aid

County Program Aid Payments in 2011-2012

First Special Session Chapter 7, Article 6, section 15

Amends section 477A.0124, by adding subdivision 6

County program aid distributions for 2011 and 2012 are reduced from \$197 million to \$161 million. Aid payments to counties will be equal to the lesser of the total amount paid in 2010, after reductions, or the 2011 certified amount.

Effective Date: For aids payable in calendar year 2011 and 2012.

Appropriation

First Special Session Chapter 7, Article 6, section 18

Amends section 477A.03

This provision sets the county program aid appropriation for 2013 and thereafter at the 2010 amount, after reductions. The appropriation will total approximately \$165 million.

Effective Date: For aids payable in calendar year 2012 and thereafter.

Local Government Aid

City Net Tax Capacity

First Special Session Chapter 7, Article 6, section 14

Amends section 477A.011, subdivision 20

With the repeal of the market value credit and the addition of the homestead market value exclusion, this provision clarifies that the market values used to compute city net tax capacity for local government aid calculation purposes are the market values after the homestead market value exclusion is subtracted.

Effective Date: For aids payable in calendar year 2013 and thereafter.

City Aid Distribution

First Special Session Chapter 7, Article 6, section 16

Amends section 477A.013, subdivision 9

Beginning with aids payable to cities in 2013, calculations of maximum aid increases and decreases will resume. Local government aid will be distributed to cities based on the formula.

Effective Date: For aids payable in 2013 and thereafter.

Aid Payments in 2011 and 2012

First Special Session Chapter 7, Article 6, section 17

Amends section 477A.013, by adding subdivision 11

Local government aid (LGA) payments to cities in 2011 and 2012 are limited to the lesser of 2010 Local Government Aid amounts, after reductions, and after reductions for any applicable one time city aid base payments, and the 2011 certified aid amounts.

In the 2010 legislative session the city of Houston was granted a one-time city aid base adjustment for 2011. This aid base adjustment will be paid to the city of Houston in 2011 only, and will not be included in the 2012 LGA payment.

Effective Date: For aids payable in calendar year 2011 and 2012.

Appropriation

First Special Session Chapter 7, Article 6, section 18

Amends section 477A.03

This provision sets the local government aid appropriation for 2013 and thereafter at the 2010 amount, after reductions. The appropriation will total approximately \$426 million.

Effective Date: For aids payable in calendar year 2012 and thereafter.

Delay in Certain July State Payments to Local Governments First Special Session Chapter 7, Article 6, section 25

Adds an uncodified provision

This section delays the state payment of 2011 local government aid and county program aid from July 20, 2011 to July 27, 2011, in order to accurately reflect the aid reductions passed in the special session.

Effective Date: Upon final enactment and applies to the July 20, 2011 payments.

Other Property Tax Aids

Deadline for Reports Extended First Special Session Chapter 8, Article 4, section 1

Adds an uncodified provision

A municipality or relief association may submit their 2009 financial report and audit and financial statement to the state auditor, without forfeiting their 2010 state aid, by April 30, 2011. This deadline is extended from the current deadline of November 30th following the due date.

Effective Date: The day following final enactment.

Property Tax Credits

Repealer, State-Paid Homestead Market Value Credits First Special Session Chapter 7, Article 6, section 27

REPEALS section 273.1384, subdivisions 1 and 6

The state paid homestead market value credit is repealed. The credit is replaced by a homestead market value exclusion created in article 6, section 3.

Effective Date: For taxes payable in 2012 and thereafter.

Credit Reimbursements First Special Session Chapter 7, Article 6, sections 4 and 5

Amends section 273.1384, subdivisions 3 and 4

These provisions remove a reference to the repealed homestead market value credit. With the conversion of the homestead market value credit to the homestead market value exclusion, this provision provides that the agricultural market value credit will continue to be a state paid credit, while the homestead market value credit will not.

Effective Date: For taxes payable in 2012 and thereafter.

Repealer**First Special Session Chapter 7, Article 6, section 27**

REPEALS section 275.295

Wetland reimbursements are repealed.

Effective Date: For taxes paid in 2012 and thereafter.

Credit Reductions and Limitations; Counties and Cities**First Special Session Chapter 7, Article 6, section 23**

Adds an uncoded provision

Limits the 2011 homestead market value credit payments to each city and county to the amounts paid in 2010, after reductions.

Effective Date: For credit reimbursements in 2011.

Property Tax Programs & Incentives

Disaster Abatements

Hennepin and Anoka County Abatement Authorization First Special Session Chapter 7, Article 5, section 13

Adds an uncoded provision

This provision allows Anoka County and Hennepin County to grant a property tax abatement for taxes payable in 2011 for homestead property that has sustained losses in value of less than 50%, and is located within the area covered by Presidential Disaster Declaration FEMA-1990-DR. The owner must submit application to the county assessor within 60 days of the effective date of this provision, and any property that is granted this abatement is not eligible for the disaster credits provided under Minnesota Statutes, sections 273.1234 and 273.1235, for taxes payable in 2012. This provision also provides reimbursement of approved abatements for each taxing jurisdiction.

Under current law, properties sustaining losses of less than 50% in value would be eligible for a property tax credit; however the credit would not be applied until payable 2012. This provision speeds up the relief by allowing property owners to receive an abatement of payable 2011 taxes.

Effective Date: The day following final enactment.

Sustainable Forest Incentive Act

Calculation of Incentive Payment First Special Session Chapter 7, Article 6, section 12

Amends section 290C.07

This section changes the Sustainable Forest Incentive Act (SFIA) payment to a set \$7.00 per acre, with a maximum payment of \$100,000 for each Social Security number or tax identification number. The effective date of this language also allows claimants to withdraw from SFIA if they were subject to payment limitations under Minnesota Laws 2010, First Special Session, chapter 1, article 3, section 4, subdivision 3 or changes made in this section. Elections for withdrawal may be made through December 31, 2011. The Commissioner of Revenue will terminate covenants for those property owners.

History: Changes made to the calculation of forest land for purposes of the SFIA program in 2009 unexpectedly caused the payment to increase from \$8.74 per acre for payments made in 2009 to \$15.67 per acre for payments made in 2010. The complicated calculation formula was based on stumpage prices, tree growth rates, and the value of timber lands, and it was therefore difficult to anticipate and prepare for fluctuations in the payment amount. Legislature addressed concerns and issues with the payment amount increase through this provision. Additionally, there were concerns that in many cases the payment amount per acre exceeded the actual property taxes per acre.

Effective Date: For payments in calendar year 2011.

Purpose Statement and Transition Provisions

First Special Session Chapter 7, Article 6, section 26

Adds an uncoded provision

This section adds a purpose statement defining the reasoning for amending the SFIA program under article 6, section 12 (i.e. the \$7.00 per-acre payment and the \$100,000 payment cap). Additionally, an allowance is made for property owners whose payments were capped by 2010 or 2011 legislation and who subsequently withdrew under the provisions of section 12, to enroll in to the 2c Managed Forest Land classification by applying to the assessor by September 1, 2011. The annual application deadline for the 2c classification for all other applicants continues to be May 1 of the assessment year; this extension is only applicable to property owners who withdraw from SFIA under the parameters of this section. The 2c classification allows a maximum enrollment of 1,920 acres statewide per taxpayer.

Effective Date: The day following final enactment.

Tax Increment Financing

Specific Districts

Minneapolis; Housing Replacement TIF

First Special Session Chapter 7, Article 5, section 11

Amends Laws 1995, Chapter 264, Article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, Laws 1997, chapter 231, article 10, section 13, Laws 2002, chapter 377, article 7, section 6, Laws 2008, chapter 154, article 9, section 19, and Laws 2010, Chapter 216, section 46

This provision grants one-time authority for the city of Minneapolis to designate up to 200 additional parcels under a housing replacement TIF district. These parcels must be located within the area of the city of Minneapolis covered by Presidential Disaster Declaration FEMA-1990-DR.

Effective Date: Upon local approval and compliance by the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Minneapolis; TIF Pooling for Disaster Response

First Special Session Chapter 5, Article 12, section 12

Adds an uncoded provision

This provision grants temporary exemption to the city of Minneapolis from the general percentage limits on pooling tax increments. The 36-month exemption period began on the date of Presidential Disaster Declaration FEMA-1990-DR (June 7, 2011), and allows the city to spend increments outside of the geographic area of the district. Increments may be used to assist individuals and businesses to reconstruct or rehabilitate damage caused by the June 2011 tornado in North Minneapolis, and to pay for the city's recovery cost. The city must write a spending plan and hold a public hearing prior to using this authority.

Effective Date: Upon local approval and compliance by the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Classification

Class 2

Agricultural Classification

First Special Session Chapter 7, Article 5, section 6

Amends section 273.13, subdivision 23 as amended by Laws 2011, chapter 112, article 11, section 8

This section adds language to a provision passed during the 2011 regular session allowing for the agricultural classification on property licensed under section 97A.105 that is used to breed game birds and waterfowl. Language is clarified, and a requirement has been added that the owner submit a copy of the most recent Schedule F (farm income report) to the assessor along with the annual licensing report to qualify for the 2a agricultural classification.

Effective Date: For taxes payable in 2012 and thereafter.

Class 4

Class 4c(1) Seasonal Residential Recreational Property, Commercial

First Special Session Chapter 7, Article 5, section 7

Amends section 273.13, subdivision 25

This provision makes changes to the types of properties that may be class 4c(1) commercial seasonal residential recreational properties. Under 2010 statutes, to be a 4c(1) commercial resort, a property must:

1. not be used commercially for more than 250 days;
2. contain three or more rental units;
3. provide recreational activities;
4. have at least 40% of gross lodging receipts come from 90 consecutive days; *and*
5. either
 - a. 60% of all paid bookings must be for periods of at least two consecutive nights, or
 - b. 20% of annual gross receipts must be from charges for providing recreational activities.

None of those requirements has been changed or modified. However, new language in this section now allows for property to qualify for the 4c(1) commercial resort classification if the business:

1. is not used commercially for more than 250 days;
2. contains three or more rental units;
3. contains 20 or fewer rental units; and

4. is located in a city or township with a population less than 2,500 located outside of the metropolitan area that contains a portion of a state trail administered by the Department of Natural Resources.

In other words, the businesses located in these specific townships or cities do not need to verify through receipts either the seasonal or recreational components. All other resort-type properties not meeting these requirements must meet the former requirements as noted above.

History: This provision was targeted at seasonal inn properties located in the city of Lanesboro. Other communities that may be affected would be located along the Paul Bunyan/Heartland trails, Arrowhead trail, as well as Gitch-Gami, North Shore, Glacial Lakes, Root River/Harmony-Preston, and Sakatah trails. A map of trails managed by the DNR is available on the Minnesota DNR website.

Effective Date: For taxes payable in 2012 and thereafter.

Class 4c(12) Seasonal Residential Recreational Property, Non-Commercial
First Special Session Chapter 7, Article 5, section 7

Amends section 273.13, subdivision 25

In addition to the changes made above to the 4c(1) classification, non-commercial seasonal residential recreational properties (e.g., cabins) were separated into class 4c(12) for clarification purposes. Requirements and class rates for non-commercial seasonal residential recreational properties remain unchanged; however, for purposes of clearer statute these properties were recodified as 4c(12) instead of as non-commercial class 4c(1).

Effective Date: For taxes payable in 2012 and thereafter.

Alternative Taxation/Payment in Lieu

PILT

Report on Payment in Lieu of Tax for State Natural Resources Land First Special Session Chapter 2, Article 4, section 35

Adds an uncoded provision

This provision requires DNR, in consultation with Department of Revenue, Minnesota Management and Budget, and stakeholders, to report to the legislature with recommendations for changes to consider for payment in lieu of tax on natural resource land. The report is required to be presented to the legislature by December 1, 2012.

Effective Date: August 1 following the day of final enactment.

PILT Payments First Special Session Chapter 7, Article 6, section 1

Amends section 97A.061, subdivision 1

This provision removes the inflation adjustment to the per acre PILT payments on public hunting lands and game refuges.

Effective Date: For aids payable in 2011 and thereafter.

Terms First Special Session Chapter 7, Article 6, section 19

Amends section 477A.11, subdivision 1

This provision removes a cross reference to the inflation factor for PILT payments which was repealed in section 27.

Effective Date: For aids payable in 2011 and thereafter.

Repealer

First Special Session Chapter 7, Article 6, section 27

REPEALS section 477A.145

The inflation factor used to adjust PILT payments is repealed.

Effective Date: For taxes paid in 2012 and thereafter

Types of Land; Payments

First Special Session Chapter 7, Article 6, section 20

Amends section 477.12, subdivision 1

Due to the repeal of the inflation factor, payments of lieu of taxes on natural resource land have been codified at adjusted rates as follows:

- \$5.133 per acre or 0.75% of assessed value of all acquired natural resource land in the county;
- \$1.283 per acre for county-administered other natural resource land and land utilization land; and
- \$0.642 per acre for commissioner-administered other natural resource land located in each county as of July 1 of each year prior to the payment year.

Effective Date: For aids payable in 2011 and thereafter.

General Distribution

First Special Session Chapter 7, Article 6, section 21

Amends section 477A.14, subdivision 1

Due to the repeal of the inflation factor, permanent allocation rates have been assigned for the distribution of PILT payments to the county and townships.

Effective Date: For aids payable in 2011 and thereafter.

Truth in Taxation

Published Notices

Notice of Valuation and Classification

First Special Session Chapter 7, Article 5, section 5

Amends section 273.121, subdivision 1

This section updates the requirements for annual value notices. The provision removes a reference to limited market value, and a requirement to note whether a property may qualify for the This Old House exclusion program. The amended language also requires that if the classification of the property has changed between the current and prior assessment years, a specific note must be “prominently listed” on the notice.

Effective Date: For notifications for taxes payable in 2013 and thereafter.

Property Tax Collection and Distribution

Property Tax Collection

Contents of Tax Statements

First Special Session Chapter 7, Article 6, section 7

Amends section 276.04, subdivision 2

This provision modifies the requirements for the contents of tax statements in accordance with the repeal of the homestead market value credit. The market value credit will now be listed as a market value exclusion on the property tax statement.

Effective Date: For taxes payable in 2012 and thereafter.

Property Tax Statement, Market Value Homestead Credit

First Special Session Chapter 7, Article 6, section 24

Adds an uncoded provision

For taxes payable in 2012 only, the gross tax amount shown for the previous year is the gross tax minus the residential homestead market value credit. The homestead market value credit will not be explicitly shown for 2011.

Effective Date: For taxes payable in 2012 only.

Property Tax Refund

Rent Constituting Property Tax

First Special Session Chapter 7, Article 6, section 8

Amends section 290A.03, subdivision 11

This provision changes the percentage used to determine property taxes payable on rental property from 19 percent of the gross rent paid to 17 percent.

Effective Date: For claims based on rent paid in 2011 and following years.

Renter Property Tax Refund, Manufactured Homes

First Special Session Chapter 7, Article 6, section 9

Amends section 290A.03, subdivision 13

This section changes the percentage used to determine property taxes payable on the site of manufactured homes from 19 percent to 17 percent.

Effective Date: For claims based on rent paid in 2011 and following years.

Homeowners Property Tax Refund

First Special Session Chapter 7, Article 6, section 10

Amends section 290A.04, subdivision 2

This section updates the schedule for the homeowner's property tax refund; increases the maximum refund amount to \$2,460; changes income ranges for calculating refunds; decreases the copay amount for income levels between \$10,880 and \$93,239; and updates the maximum income threshold.

Effective Date: Beginning with refunds based on taxes payable in 2012.

Property Tax Refund; Inflation Adjustment

First Special Session Chapter 7, Article 6, section 11

Amends section 290A.04, subdivision 4

This section updates the annual inflation adjustment for income brackets and maximum refunds amounts for the homeowner's property tax refund. This is related to changes made in article 6, section 10 described above. The inflation adjustments for the renter's refund remain unchanged.

Effective Date: For refunds based on taxes payable in 2013.

Miscellaneous Property Tax Laws

Referendum Market Value

**First Special Session Chapter 7, Article 5, section 1; and
First Special Session Chapter 7, Article 6, section 2**

Amend section 126C.01, subdivision 3

The provision in article 5, section 1 updates the reference to “noncommercial 4c(1)” properties in the description for referendum market value purposes. The renumbered 4c(12) classification for non-commercial seasonal residential recreational properties (e.g. cabins) is used instead. This relates to the language amending class 4c(1) and creating a separate classification as 4c(12) for non-commercial seasonal residential recreational property in article 5, section 7.

The provision in article 6, section 2 clarifies that, in the case of classes 1a, 1b, and 2a property, “market value” means the value prior to the homestead market value exclusion is applied. This exclusion is created by article 6, section 3, but it does not reduce the referendum market value for school operating referendum levies.

Additional Information: Referendum market value generally equals the taxable market value of all taxable property, excluding property classified as class 2 (ag/rural land), 4c(4) (student housing), or 4c(12) (noncommercial seasonal residential recreational or “cabins”). The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. However, in regards to the newly-created homestead market value exclusion created in article 6, section 3, in the case of class 1a, 1b, or 2a property, the market value used to determine referendum market value is the value prior to the homestead market value exclusion. Note, however, that any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent, shall have a referendum market value equal to its market value (either the taxable market value or the market value prior to the homestead market value exclusion, whichever is appropriate) multiplied by its class rate, multiplied by 100.

For example, a residential homestead property with an estimated market value of \$100,000 would receive an exclusion of \$28,240 resulting in a taxable market value of \$71,760. The referendum market value is equal to the market value prior to the homestead market value exclusion (or the taxable market value plus the market value homestead exclusion amount), which in this case is \$100,000.

Effective Date: Both sections are effective for taxes payable in 2012 and thereafter.

Property Tax Working Group

First Special Session Chapter 7, Article 5, section 2

Amends section 270C.991, subdivision 4

This provision modifies the makeup of the property tax working group that was originally created by 2010 legislation by removing the Commissioner of Revenue from the list of members of the working group. The group's report to the Legislature is now due February 1, 2013.

Effective Date: The day following final enactment.

Computation of Net Property Taxes

First Special Session Chapter 7, Article 6, section 6

Amends section 273.1393

This provision removes a reference to the repealed homestead market value credit. With the conversion of the homestead market value credit to the homestead market value exclusion, the market value credit is removed from the list of credits that are subtracted from a property's gross tax to yield the net tax.

Effective Date: For taxes payable in 2012 and thereafter.

State General Levy

First Special Session Chapter 7, Article 5, section 9

Amends section 275.025, subdivision 3

This provision updates a cross-reference to reflect the change in classification for non-commercial seasonal residential recreational (cabin) properties from 4c(1) non-commercial to the newly-created class 4c(12). This provision is related to article 5, section 7. Class 4c(12) property is still subject to the state general levy.

Effective Date: For taxes payable in 2012 and thereafter.

Maintenance of Effort Requirements

First Special Session Chapter 7, Article 5, section 10

Adds section 275.761

This provision reduces county and city maintenance of effort (MOE) requirements for regional libraries and county requirements for various health and human service programs to 90 percent of the amounts required for 2011. The MOE reduction cannot result in an increase in state costs or a reduction in federal funding.

Effective Date: For MOE requirements in 2012 and thereafter.

Alternate Process for Consolidation

First Special Session Chapter 7, Article 6, section 13

Adds section 373.51

This provision permits an alternate method for counties to begin the process of consolidation, allowing counties to begin this process after a unanimous resolution from each county board has been filed with the secretary of state. Prior law required each county to obtain a petition signed by 25 percent of voters in the last general election.

Effective Date: The day following final enactment.

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Class	Description	Tiers	Class Rate	State Rate
1a	Residential Homestead	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
1b	Blind/Disabled Homestead	First \$50,000	0.45%	N/A
1c	Ma & Pa Resort	First \$600,000 \$600,000 - \$2,300,000 Over \$2,300,000	0.50% 1.00% 1.25%	N/A N/A 1.25%
1d	Migrant Housing (structures only)	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
2a	Homestead House, Garage, and First Acre (HGA)	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
2a/2b	Agricultural Homestead First Tier	First \$1,210,000	0.50%	N/A
2a/2b	Farm Entities Excess First Tier	Unused First \$1,210,000	0.50%	N/A
2a	Agricultural Land (non-homestead or in excess of first tier)		1.00%	N/A
2b	Rural Vacant Land		1.00%	N/A
2c	Managed Forest Land		0.65%	N/A
2d	Private Airport		1.00%	N/A
2e	Commercial Aggregate Deposit		1.00%	N/A
3a	Commercial/Industrial	First \$150,000 Over \$150,000	1.50% 2.00%	1.50% 2.00%
	Electric Generating Public Utility Machinery		2.00%	N/A
	All Other Public Utility Machinery		2.00%	2.00%
	Transmission Line Right-of-Way		2.00%	2.00%
3b	Employment Property (BCDZ)	First \$150,000 Over \$150,000	1.50% 2.00%	1.50% 2.00%
4a	Apartment/ Residential Non-Homestead 4+ Units		1.25%	N/A
4b(1)	Residential Non-Homestead 1-3 Units		1.25%	N/A
4b(2)	Unclassified Manufactured Home		1.25%	N/A
4b(3)	Agricultural Non-Homestead Residence (2-3 units)		1.25%	N/A
4b(4)	Unimproved Residential Land		1.25%	N/A
4bb(1)	Residential Non-Homestead Single Unit	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
4bb(2)	Agricultural Non-Homestead Single Unit	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
4c(1)	Seasonal Residential Recreational Commercial (resort)	First \$500,000 Over \$500,000	1.00% 1.25%	1.00% 1.25%
4c(2)	Qualifying Golf Course		1.25%	N/A
4c(3)(i)	Non-Profit Community Service Org. (non-revenue)		1.50%	N/A
4c(3)(ii)	Non-Profit Community Service Org. (donations)		1.50%	1.50%
4c(4)	Post-Secondary Student Housing		1.00%	N/A
4c(5)(i)	Manufactured Home Park		1.25%	N/A
4c(5)(ii)	Manufactured Home Park (>50% owner-occupied)		0.75%	N/A
4c(5)(ii)	Manufactured Home Park (50% or less owner-occupied)		1.00%	N/A
4c(6)	Metro Non-Profit Recreational Property		1.25%	N/A
4c(7)	Certain Non-Comm. Aircraft Hangars and Land (leased land)		1.50%	N/A
4c(8)	Certain Non-Comm. Aircraft Hangars and Land (private land)		1.50%	N/A
4c(9)	Bed & Breakfast		1.25%	N/A
4c(10)	Seasonal Restaurant on a Lake		1.25%	N/A
4c(11)	Marina	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
4c(12)	Seasonal Residential Recreational Non-Commercial (cabin)	First \$76,000 \$76,000 - \$500,000 Over \$500,000	1.00% 1.00% 1.25%	0.40% 1.00% 1.25%
4d	Qualifying Low-Income Rental Housing		0.75%	N/A
5(1)	Unmined Iron Ore and Low-Grade Iron-Bearing Formations		2.00%	2.00%
5(2)	All Other Property		2.00%	N/A