

Date: July 13, 2012
To: All Assessors, Auditors, and Treasurers
From: Property Tax Division
Subject: **Summary of New Laws - 2012**

The Property Tax Division is pleased to present you with the following summary of laws passed during the 2012 legislative session. One tax omnibus bill passed the Legislature and was signed by the Governor. Because of the limited number of property tax laws passed, we are presenting this year's law summary in bulletin form, rather than the booklet form as we have done in the past.

Property Tax Aids & Credits

Local Government Aid

City Aid Base

Chapter 294, article 1, section 1

Amends section 477A.011, subdivision 36

This provision provides an additional \$12,000 in city Local Government Aid (LGA) in calendar year 2013 only to a city with:

- a 2010 population less than 100 but a population growth rate between 2000 and 2010 of more than 55 percent; and
- more than 15 percent of its taxable property value classified as commercial or industrial.

The only city that qualifies is the city of Tamarack.

Effective Date: August 1 following final enactment.

City Aid Distribution

Chapter 294, article 1, section 2

Amends section 477A.013, subdivision 9

This provision freezes the starting point for calculating the maximum increases and decreases in the 2013 and 2014 LGA formula to the 2012 LGA. Beginning with taxes payable 2015, the previous year's aid payment will be used in calculating minimum and maximum increases.

Effective Date: August 1 following final enactment.

Aid Payment in 2013 (Cities)
Chapter 294, article 1, section 3

Amends section 477A.013

This provision sets the 2013 aid payments to cities with a population of 5,000 or more to their 2012 aid amounts. It sets the 2013 aid payments to cities with a population under 5,000 to the greater of: (1) their 2012 aid payment; or (2) what they would otherwise get in 2013 under the LGA formula. In addition, the city of Tamarack receives its extra 2013 aid amount of \$12,000 under section 1.

Effective Date: August 1 following final enactment.

2011 City Aid Penalties
Chapter 294, article 1, section 4

Amends section 477A.017, subdivision 3

This provision provides for the payment to 18 cities their 2011 LGA payments that were withheld due to the cities' late filing of calendar year 2010 financial reports with the State Auditor. A city will receive its withheld aid on June 15, 2012, provided that the city has filed all required reports by May 31, 2012.

Effective Date: The day after final enactment.

Additional City Aid Payment in 2012
Chapter 294, article 1, section 5

Uncodified provision

This section provides an additional \$12,000 aid payment in 2012 only to a city with:

- a 2010 population less than 100 but a population growth rate between 2000 and 2010 of more than 55 percent; and
- more than 15 percent of its taxable property value classified as commercial or industrial.

The only city that qualifies is the city of Tamarack. This payment is made from an appropriation from the general fund but will be paid with the 2012 LGA payment.

Effective Date: August 1 following final enactment.

Economic Development

Enterprise Zones

Economically Disadvantaged Areas

Chapter 294, article 2, section 1

Amends section 16C.16, subdivision 7

This provision changes references to the enterprise zone program to refer to the border city enterprise zone, the only surviving portion of the 1983 enterprise zone program, in the statute providing state procurement preferences to small businesses located in economically disadvantaged areas.

Effective Date: August 1 following final enactment.

Small Business Loans; Preferences

Chapter 294, article 2, section 2

Amends section 41A.036, subdivision 2

This section changes references to the enterprise zone program to refer to the border city enterprise zone program, the only surviving portion of the 1983 enterprise zone program, in the statute giving preferences in the agricultural resource loan program.

Effective Date: August 1 following final enactment.

Department of Revenue Data Practices Law

Chapter 294, article 2, section 4

Amends section 270B.14, subdivision 3

This section changes a general reference to the enterprise zone program to refer to the border city enterprise zone program, and corrects cross references required by changes the bill makes, in the Department of Revenue's data practices law.

Effective Date: August 1 following final enactment.

Enterprise Zones; Definition

Chapter 294, article 2, section 21

Amends section 469.166, subdivision 3

This provision limits the definition of enterprise zones under the 1983 enterprise zone law to border city enterprise zones. The regular or competitive zones expired in the 1990s and only border zones remain.

Effective Date: August 1 following final enactment.

Enterprise Zones; Definition of Municipality
Chapter 294, article 2, section 22

Amends section 469.166, subdivision 5

This section converts the definition of "municipality" under the 1983 enterprise zone law to a "city," since only the five border city enterprise zones in cities remain.

Effective Date: August 1 following final enactment.

Enterprise Zones; Definition of Governing Body
Chapter 294, article 2, section 23

Amends section 469.166, subdivision 6

This provision modifies the definition of "governing body" under the 1983 enterprise zone law to refer to city councils. This program is now limited to the border city enterprise zone programs for five cities along the western border of the state; counties and joint powers entities are no longer involved.

Effective Date: August 1 following final enactment.

Enterprise Zones; Duration Limits
Chapter 294, article 2, section 24

Amends section 469.167, subdivision 2

This provision eliminates obsolete references to the duration limit under the 1983 enterprise zone law that expired in the 1990s. Border city enterprise zones are permanent until terminated by the city.

Effective Date: August 1 following final enactment.

Border City Enterprise Zones; But-For Limits
Chapter 294, article 2, section 25

Amends section 469.171, subdivision 1

This provision imports the substantive restrictions that apply to tax incentives provided in border city enterprise zones, currently in section 469.170, subdivision 5, into the general limits that apply to the tax reductions. (*Section 469.170, subdivision 5, is repealed by section 43.*)

Effective Date: August 1 following final enactment.

Enterprise Zones; Limits
Chapter 294, article 2, section 26

Amends section 469.171, subdivision 4

This section eliminates obsolete portion of the limits on the 1983 enterprise zone law that applied to the regular or competitive zones.

Effective Date: August 1 following final enactment.

Enterprise Zone Allocations
Chapter 294, article 2, section 27

Amends section 469.171, subdivision 6a

This section eliminates a reference to the old employment property tax classification under the 1983 enterprise zone law. This classification is not used by the border city zones.

Effective Date: August 1 following final enactment.

Enterprise Zones; Duration Limits
Chapter 294, article 2, section 28

Amends section 469.171, subdivision 7

This provision eliminates obsolete language related to regular or competitive enterprise zones under the 1983 enterprise zone law.

Effective Date: August 1 following final enactment.

Enterprise Zone; Recapture
Chapter 294, article 2, section 29

Amends section 469.171, subdivision 9

This section eliminates obsolete references to employment property and clarifies that the recapture provisions of the 1983 enterprise zone law apply only to border city enterprise zones, the only remaining zones under the 1983 law.

Effective Date: August 1 following final enactment.

Enterprise Zones; Expiration of Designation
Chapter 294, article 2, section 30

Amends section 469.171, subdivision 11

This section adds a reference to border city enterprise zones, reflecting that these are the only remaining enterprise zones from the 1983 law.

Effective Date: August 1 following final enactment.

Enterprise Zones; Additional Development Powers
Chapter 294, article 2, section 31

Amends section 469.172

This provision adds a reference to border city enterprise zones, reflecting that these are the only remaining enterprise zones from the 1983 law and eliminates authority that related to an increase in the geographic area of a now expired enterprise zone.

Effective Date: August 1 following final enactment.

Enterprise Zones; Data Practices
Chapter 294, article 2, section 32

Amends section 469.173, subdivision 5

This provision clarifies that the Commissioner of Revenue's authority to share data with cities that have border city enterprise zones applies regardless of the subdivision under which state funding is provided.

Effective Date: August 1 following final enactment.

Enterprise Zones; Boundary Changes
Chapter 294, article 2, section 33

Amends section 469.173, subdivision 6

This provision adds a reference to border city enterprise zones in the statute allowing the Commissioner of the Department of Employment and Economic Development to realign zone boundaries, reflecting that border zones are the only remaining enterprise zones from the 1983 law and eliminates obsolete language related to regular (now expired) enterprise zones under the 1983 law.

Effective Date: August 1 following final enactment.

Designation of Enterprise Zones
Chapter 294, article 2, section 43

REPEALS section 469.167, subdivisions 1 and 3

This provision *repeals* the authority to designate enterprise zones under the 1983 law.

Effective Date: August 1 following final enactment.

Eligibility Requirements
Chapter 294, article 2, section 43

REPEALS section 469.168

This provision *repeals* the eligibility requirements under the 1983 enterprise zone law.

Effective Date: August 1 following final enactment.

Selection of Enterprise Zones
Chapter 294, article 2, section 43

REPEALS section 469.169, subdivisions 1 - 13

This provision *repeals* the rules governing selection of enterprise zones under the 1983 law, including funding limits. The most recent allocations for border city enterprise zones are preserved, since these moneys have not been fully used by the border cities.

Effective Date: August 1 following final enactment.

Tax Classification of Employment Property
Chapter 294, article 2, section 43

REPEALS section 469.170

This provision *repeals* the provisions governing employment property tax treatment under the 1983 enterprise zone law. This treatment expired with the regular zones under the 1983 law (the class is not used in border city enterprise zones).

Effective Date: August 1 following final enactment.

State Tax Reductions
Chapter 294, Article 2, Section 43

REPEALS section 469.171, subdivisions 2, 5, and 6b

This provision *repeals* obsolete provisions of the 1983 enterprise zone law that do not relate to the still active border city enterprise zones. The provisions that relate to border city zones are recodified into section 469.171, subdivision 1, by section 25 of the bill.

Effective Date: August 1 following final enactment.

Administration

Chapter 294, article 2, section 43

REPEALS section 469.173, subdivisions 1 and 3

This section *repeals* obsolete provisions of the 1983 enterprise zone law that do not relate to the still active border city enterprise zones.

Effective Date: August 1 following final enactment.

Definitions; Designations of Enterprise Zones; Eligibility Requirements; Application for Enterprise Zone Designation

Chapter 294, article 2, section 43

REPEALS sections 469.301 – 469.304

This section *repeals* enterprise zone authority that was enacted in 1990s to qualify for federal designation under the Clinton administration program.

Effective Date: August 1 following final enactment.

International Economic Development Zone

Public Service Corporation Definition

Chapter 294, article 2, section 3

Amends section 117.025, subdivision 10

This section eliminates a reference to the International Economic Development Zone (IEDZ), which was never established and the authority for which is repealed by section 43, in the definition of a public service corporation under the eminent domain law.

Effective Date: August 1 following final enactment.

International Economic Development Zone

Chapter 294, article 2, section 43

REPEALS sections 469.321 – 469.329

This section *repeals* authority to designate IEDZ. This authority was passed in 2005, but the zone was never designated.

Effective Date: August 1 following final enactment.

Fiscal Disparities

Iron Range Fiscal Disparities Law; Cross Reference Chapter 294, article 2, section 8

Amends section 276A.01, subdivision 3

This provision eliminates cross references to the obsolete pre-1979 Housing and Redevelopment Authority Tax Increment Financing laws in the Iron Range fiscal disparities law. Authority to create new districts under these laws ended on August 1, 1979, and the last districts were required to be decertified in 2009.

Effective Date: August 1 following final enactment.

Metro Area Fiscal Disparities Law; Cross Reference Chapter 294, article 2, section 42

Amends section 473F.02, subdivision 3

This provision eliminates cross references to the obsolete pre-1979 Housing and Redevelopment Authority Tax Increment Financing laws in the metropolitan area fiscal disparities law. Authority to create new districts under these laws ended on August 1, 1979, and the last districts were required to be decertified in 2009.

Effective Date: August 1 following final enactment.

Tax Increment Financing (TIF)

TIF; Internal Revenue Code References. Chapter 294, article 2, section 34

Amends section 469.174, subdivision 20

This provision eliminates the specific date reference (December 31, 1993) in the definition of the Internal Revenue Code used in the Tax Increment Financing (TIF) law. This will adopt future changes in the Internal Revenue Code made by Congress for purposes of applying TIF rules. This is likely permissible under case law because it will (typically) not have the effect of raising or lowering taxes, but is more a matter of administrative ease in determining the types of housing projects that may be funded with TIF.

Effective Date: August 1 following final enactment.

Definition of Tax Increment Chapter 294, article 2, section 35

Amends section 469.174, subdivision 25

This provision eliminates a reference to the now repealed homestead market value credit in the definition of tax increment.

Effective Date: August 1 following final enactment.

TIF Reference to Rural Preserve Program
Chapter 294, article 2, section 36

Amends section 469.176, subdivision 7

This section adds a reference to the Rural Preserve Property Tax Program in the section that prohibits using TIF for parcels that are in the Green Acres, Open Space, or Metropolitan Agricultural Preserves programs. The 2009 legislative changes divided land that had been in the Green Acres program into two separate programs: Green Acres and Rural Preserves. This change clarifies that the prohibition applies to both programs.

Effective Date: August 1 following final enactment.

TIF; Cross References
Chapter 294, article 2, section 37

Amends section 469.1763, subdivision 6

This provision eliminates references in the TIF law to the special tax authority (repealed by section 43) and the previously repealed special grant program.

Effective Date: August 1 following final enactment.

TIF; Cross Reference
Chapter 294, Article 2, Section 38

Amends section 469.1764, subdivision 1

This provision modifies a cross reference to reflect the repeal of pre-1979 TIF statutes by section 43.

Effective Date: August 1 following final enactment.

TIF, Adjustment of Original Tax Capacity
Chapter 294, article 2, section 39

Amends section 469.177, subdivision 1

This section provides for adjustments to the original tax capacity of tax increment financing (TIF) districts for homestead market value exclusions. If a homestead market value exclusion is provided after the original tax capacity was certified, the exclusion will reduce original tax capacity to the extent the value was attributable to the original tax capacity. If a home no longer qualifies for the exclusion (e.g., because it is converted to a non-homestead use or because its value increases above \$414,000), the increase is added to original value if the house was constructed before certification of the district. This will cause phase-out of the exclusion (because of increases in the home's market value up to but below \$414,000) to generate additional captured tax capacity, however. This section also strikes an obsolete (repealed) cross reference.

Effective date: Applies to all TIF districts, regardless of when the request for certification was made.

TIF; Cross Reference
Chapter 294, article 2, section 40

Amends section 469.1793

This provision eliminates a reference to the 2001 TIF grant program that was repealed in 2002.

Effective Date: August 1 following final enactment.

Agreement on Tax Increments, Equivalents; Bond Pledge
Chapter 294, article 2, section 43

REPEALS section 469.042, subdivisions 2-4

This provision *repeals* the authority to establish TIF districts under this law ended on August 1, 1979 and the last pre-1979 districts were decertified in 2009.

Effective Date: August 1 following final enactment.

Development District Powers
Chapter 294, article 2, section 43

REPEALS section 469.059, subd. 13

This provision *repeals* the authority to establish districts under this provision ended on August 1, 1979, and the last pre-1979 districts were decertified in 2009.

Effective Date: August 1 following final enactment.

Issuance of bonds
Chapter 294, article 2, section 43

REPEALS section 469.129

This provision *repeals* the authority to issue the TIF bonds expired on August 1, 1979, and to issue revenue bonds on April 30, 1990.

Effective Date: August 1 following final enactment.

Existing Projects
Chapter 294, article 2, section 43

REPEALS section 469.134

This provision *repeals* grandfather provision for pre-1979 TIF districts created under old special laws (for the city of Minneapolis) that pre-dated enactment of the general law allowing creation of municipal development districts. The TIF districts created under these old special laws were all decertified as of 2009.

Effective Date: August 1 following final enactment.

Source of Payment for Bonds
Chapter 294, article 2, section 43

REPEALS section 469.162, subdivision 2

This provision *repeals* the authority to establish these districts ended on August 1, 1979, and the last pre-1979 districts have been decertified (if any were ever created).

Effective Date: August 1 following final enactment.

Guaranty Fund
Chapter 294, article 2, section 43

REPEALS section 469.1765

This section *repeals* the provision enacted as a mechanism to use TIF to help with contamination and pollution cleanup but has never been used.

Effective Date: August 1 following final enactment.

Tax Increment Financing Special Taxing District
Chapter 294, article 2, section 43

REPEALS section 469.1791

This provision *repeals* the authority enacted in 1998 to help TIF districts deal with funding shortfalls caused by property tax reform; it has never been used.

Effective Date: August 1 following final enactment.

TIF District for Heavy Maintenance Facility
Chapter 294, article 2, section 43

REPEALS section 473.680

This provision *repeals* the authority to create a TIF district as part of the Northwest Airlines financing in the early 1990s (never used and now obsolete, since the bonds have been paid off).

Effective Date: August 1 following final enactment.

Levies

Special Levies

TIF Grants; Appropriations Chapter 294, article 2, section 43

REPEALS section 469.1799, subdivision 2

This provision *repeals* the special levy authority for schools with pre-2001 property tax abatements. These abatements (given the ten-year duration limit) have now been paid off and this provision is obsolete.

Effective Date: August 1 following final enactment.

Property Tax Refund

Property Tax Refund Chapter 294, Article 1, section 6

Adds an uncodified provision.

This section provides an additional homeowner's property tax refund based on taxes payable in 2012 only. This provides that the state will refund 90 percent of the amount that any homeowner's tax increased by more than 12 percent over the payable 2012 amount (provided that the increase was at least \$100). Under current law, the refund is limited to 60 percent of that amount. The maximum refund amount is \$1,000. Eligible taxpayers do not need to file for the increased refund amount; the Department of Revenue will recalculate the refunds.

Effective Date: Effective for refund claims based on taxes payable in 2012 only.

Exempt Property

Housing and Redevelopment Authority Exemption Chapter 294, Article 2, section 5

Amends section 272.02, subdivision 77.

This section eliminates a cross reference to the authority of housing and redevelopment authorities (HRAs) to exempt property from taxes. The eliminated cross reference refers to property tax exemptions granted under section 469.043. Section 43 of this same article repeals the authority of HRAs to provide a partial property tax exemption.

Effective Date: Effective August 1, 2012.

**International Economic Development Zone (IEDZ) Property Exemption
Chapter 294, Article 2, section 43**

Repeals section 272.02, subdivision 83.

This provision repeals the International Economic Development Zone property tax exemption.

Effective Date: Effective August 1, 2012.

**Employment Property
Chapter 294, Article 2, section 43**

Repeals section 469.043.

This provision repeals the authority of housing and redevelopment authorities (HRAs) to provide partial property tax exemption.

Effective Date: Effective August 1, 2012.

Classification

**Employment Property
Chapter 294, Article 2, section 6**

Amends section 273.13, subdivision 24.

This section eliminates class 3b employment property. This property type was originally provided under the 1983 enterprise zone program and is not currently used in border city enterprise zones.

Effective Date: Effective August 1, 2012.
