

HOUSE RESEARCH

Bill Summary

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Subject: Compensating taxing jurisdictions when governmental entities acquire taxable property

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Overview

Requires governmental entities to compensate taxing jurisdictions for tax base that is "lost" when property is acquired that had been taxable but is now exempt. The taxing jurisdictions will receive the full amount of the property taxes due in the year of acquisition, plus an additional 1 1/2 to 2 years of property taxes, depending upon the payment schedule chosen by the acquiring entity. Effective for property acquired after January 1, 2006.

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1 Transition payments for tax base loss. Provides for transition payments to taxing jurisdictions for property tax base loss.

Subdivision 1. Definitions. (a) Provides the following definitions.

(b) "State" means a state agency, board, commission, or authority.

(c) "Political subdivision" means the metropolitan council or a metropolitan agency, county, statutory or home rule charter city, township, school district, or any other political subdivision with the authority to acquire real property.

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(d) "Acquire" includes acquisition by purchase, gift, or eminent domain.

Subd. 2. Payment required. (a) Provides that when the state or a political subdivision acquires taxable real property which becomes tax exempt upon acquisition, the state or political subdivision must pay the taxes due to all other taxing jurisdictions levying property taxes on the property in the year that the property was acquired.

Depending upon which payment schedule is chosen (as described below) the taxing jurisdictions will receive all of the current year's taxes in the year of acquisition, plus an amount equal to about 1 1/2 to 2 times the of tax otherwise due in the following years.

The payment schedules are:

- (1) in the year in which the property is acquired, 100 percent of the taxes due on the acquired property, less any amount already collected before the property was acquired;
 - (2) in the first full year after acquisition, 80 percent of the total amount that was due in the year of acquisition;
 - (3) in the second year after acquisition, 60 percent of the total amount that was due in the year of acquisition;
 - (4) in the third year after acquisition, 40 percent of the total amount that was due in the year of acquisition; and
 - (5) in the fourth year after acquisition, 20 percent of the total amount that was due in the year of acquisition.
- (b) **As an alternative** to the "phase in" schedule of payments in paragraph (a) clauses (2) through (5) above, the state or political subdivision may make a single payment in the year of acquisition equal to 150 percent of the total taxes due in the year of acquisition.
- (c) Provides that the payments under paragraph (a), clause (1), and paragraph (b) must be made at the time of acquisition, and paid directly to each taxing jurisdiction.

Payments under paragraph (a), clauses (2) to (5), must be made annually on or before May 15 of each year following the year of acquisition.

The overall impact is that taxing districts will be assured of getting the full amount of the property taxes in the year of acquisition, and then either (1) an amount equal to another two years of the taxes "lost," phased in over the next 5 years; **or** (2) 150

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percent of the tax in the year of acquisition.

Subd. 3. Waiver. Allows a city, county, town, or school district to waive part or all of the payments required under this section by resolution of the governing body.

Subd. 4. Exclusion. Provides that the payment requirement under subdivision 2 does not apply if the state or political subdivision acquiring the property has a written plan under which the property will become taxable real property within 5 years from the date of acquisition.

Subd. 5. Payments are outside of levy limits. Provides that any payments received by the political subdivision are not included in calculation of the overall levy limits imposed under Chapter 275.

Subd. 6. Cost of acquisition. Provides that the payments made under this section are a cost of acquisition of the property.

Effective date. Provides that this section is effective for property acquired after January 1, 2006.