

HOUSE RESEARCH

Bill Summary

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Subject: Property taxation; requiring payments for annexed areas

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Section

1 City annexation payments.

Subdivision 1. Payments to towns. Provides that a city that annexes property under certain conditions must make annual payments to the town from which the property was annexed. Each year's payment is equal to the amount that the current year net tax capacity of the annexed area exceeds the net tax capacity in the year the property was annexed, times the current year's city tax rate (applies to commercial-industrial property only).

Subd. 2. Annexation conditions. Provides that the payments described in subdivision 1 must be made if:

- ▶ the annexation is by order (under § 414.031) or by ordinance (under § 414.033),
- ▶ the town is an urban town located in the metropolitan area, and
- ▶ the town either was providing urban services to the annexed area prior to annexation, or else had adopted a comprehensive plan that included providing urban services to the annexed area.

Effective date: For annexations ordered or approved after June 1, 2006.