

# HOUSE RESEARCH

## Bill Summary

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## **Article 1: Homestead Credit State Refund Homeowners and Renters**

### **Overview**

This article phases out the homestead market value credit and repeals the property tax refund (PTR) for homeowners, replacing both programs with a new homestead credit state refund program, based on income and property tax. The new homestead property tax refund has two parts:

- A refund equal to a percentage of the homeowner's property taxes that exceed 2 percent of household income. The refund or credit rates range from 90% for very low-income filers to 25 percent for upper income filers (up to \$150,000). The maximum credit is \$2,500. By comparison the existing PTR has a maximum income limit of \$92,980 and a maximum refund of \$1,740 (both for property taxes paid in 2008).
- A minimum refund is guaranteed for a 3-year period (2008 - 2010) based on the homestead market value credit and is unrelated to income. This guarantee is provided directly on the property tax statement (the homestead property tax refund must be applied for because it is based on income) and equals 100 percent of the market value credit for pay 2008; 60 percent for pay 2009; and 30 percent for pay 2010. Beginning in 2011, no minimum guarantee unrelated to income is provided.

- 1 Homestead market value credit. Phases out the homestead market value credit over a 3-year period, so that no credit is allowed for property taxes payable in 2011 and following years. The phaseout is as follows:
  - ▶ taxes payable in 2008, 100 percent of credit
  - ▶ taxes payable in 2009, 60 percent of credit
  - ▶ taxes payable in 2010, 30 percent of credit
  - ▶ taxes payable in 2011 and thereafter, no credit allowed.
- 2 Property tax statement. Provides for the commissioner of revenue to direct counties to include information about the market value credit amount allowed for taxes payable in 2008 through 2010 as needed by taxpayers to calculate the property tax refund under section.... Removes the requirement for counties to list various other aids and credits on the property tax statement.
- 3 Homeowner property tax refund; definition of property taxes payable. Modifies the definition of property taxes payable for the homeowner property tax refund to be taxes payable before deduction of the homestead market value credit.
- 4 Renters property tax refund. Increases the maximum renter property tax refund and increases the width of each of the income brackets, effective for refunds based on rent paid in 2007, which will be paid in August 2008. The maximum refund increases by about six

percent from \$1,430 to \$1,500, and the maximum income eligible increases from \$50,160 to \$60,000. The brackets and maximums that appear in the statutes are those that were enacted for refunds paid in 2002 based on rent paid in 2001. The brackets and maximums in effect since 2002 have been indexed annually for inflation.

5 Special property tax refund (targeting). Provides that special property tax refund does not apply to property tax increases resulting from the reduction and elimination of the homestead market value credit in section 0.

6 Homestead credit state refund. Provides a new homestead credit state refund schedule.

Under this schedule, homeowners with household income less than \$150,000 are entitled to a refund of a percentage of property taxes that exceed 2 percent of their household income. The percentage refunded decreases from 90 percent for homeowners with incomes under \$5,400 to 25 percent for homeowners with incomes from \$134,100 to \$150,000. The new maximum refund is \$2,500, compared to \$1,740 under current law.

The new schedule differs from the current law schedule by

- ▶ providing a flat threshold of 2 percent of income (current law income thresholds increase from 1 percent for low income homeowners to 4 percent for homeowners with incomes over about \$43,000)
- ▶ refunding a larger percentage of taxes over the threshold for all incomes
- ▶ providing a larger maximum refund for all incomes
- ▶ extending the refund to homeowners with incomes up to \$150,000, compared to \$92,980 under current law

7 Inflation adjustment. Provides for the income ranges and maximum refund amounts for the expanded renter property tax refund in section 0 and the new homestead credit state refund in section 0 to be adjusted annually for inflation beginning in 2009. Strikes references to indexing the current law homeowner property tax refund, which is repealed in section 0.

8 Repealer. Repeals the current law homeowner property tax refund, which is replaced by the new homestead property tax refund.

## Article 2: School Property Tax Relief

### Overview

- Reduces school operating capital levies by approximately \$77 million per year
- Increases and indexes the equalization factors in the referendum equalization formula, reducing operating referendum levies by approximately \$41 million per year
- Increases and indexes the equalization factors in the debt levy equalization aid formula, reducing debt levies by approximately \$16 million per year
- Creates a new school bond agricultural credit equal to 20 percent of the property tax on agricultural properties attributable to school bond levies.

- 1 Debt service equalization revenue. Eliminates the second tier of debt service equalization revenue, so that all debt service revenue over 15 percent of adjusted net tax capacity is equalized at the same rate. Under current law there are two tiers of debt service equalization revenue, one at 25 percent of adjusted net tax capacity and one at 15 percent, and each is equalized at a different rate. Also specifies that debt service equalization tax rates are to be based on "debt service adjusted net tax capacity."
- 2 Equalized debt service levy. Increases the equalizing factor in the school debt service aid formula and indexes it to 100 percent of the state average adjusted net tax capacity per pupil (approximately \$6,900 per pupil). Under current law, the first tier of debt is equalized at \$3,200 per pupil and the second tier at \$8,000 per pupil.
- 3 School bond agricultural credit.

Subdivision 1. Eligibility. Provides that all property classified as agricultural or timberland (but excluding the house, garage and one acre of an agricultural homestead) is eligible for the credit established in this section.

Subd. 2. Credit amount. Provides for a credit of 20 percent of the portion of the property tax attributable to school debt levies, for all eligible property.

Subd. 3. Credit reimbursements. Requires the county auditor to report the credit amount for each school district to the Commissioner of Revenue, and requires the commissioner to certify the amounts submitted for accuracy.

Subd. 4. Payment. Requires the Commissioner of Revenue to certify the reimbursement amounts to the Commissioner of Education, and the Commissioner of Education to pay the reimbursement amounts to the school districts.

Subd. 5. Appropriation. Appropriates the amount necessary to pay the credit reimbursements each year to the Commissioner of Education.

Effective for taxes payable in 2008 and thereafter.

- 4 Adjusted net tax capacity equalizing factor. Defines the mechanism for computing the statewide adjusted net tax capacity equalizing factor used in section 0.
- 5 Referendum market value equalizing factor. Defines the mechanism for computing the referendum market value equalizing factor used in section 0.
- 6 Operating capital levy. Increases the equalizing factor in the operating capital levy/aid formula from \$10,700 per pupil to \$25,000 per pupil for fiscal year 2009 and thereafter.
- 7 Referendum equalization levy. Indexes the equalizing factors for the two tiers in the referendum levy/aid formula to 120 percent and 60 percent of the state average referendum market value per pupil, which works out to approximately \$566,000 per pupil and \$283,000 per pupil, respectively. Currently the two factors are \$476,000 per pupil and \$270,000 per pupil.
- 8 Adjusted debt service net tax capacity. Defines adjusted debt service net tax capacity (for use in the debt service levy/aid formulas only) to be the "regular" adjusted net tax capacity adjusted using sales ratios based on estimated market values. (The net effect of this change is that districts with significant amounts of tax base affected by limited market value and/or "green acres" are considered more property-poor than under current law.)
- 9 Limited market value. Technical section instructing the commissioner of revenue in how to treat limited market value for purposes of the sales ratio study (for school debt levy/aid calculations).
- 10 Computation of net taxes. Includes the school bond agricultural credit in the list of credits subtracted from the gross tax in arriving at the net tax.
- 11 Notice of proposed taxes. Provides that the school bond agricultural credit will be subtracted from the gross tax on the truth-in-taxation statement.
- 12 School district levies; special requirements. Requires the debt portion of the school district levy to be reported separately at the time of levy certification.
- 13 Computation of tax rates. Provides that the county auditor will separately calculate a school debt tax rate for each school district.
- 14 Contents of tax statements. Provides that the school bond agricultural credit will be subtracted from the gross tax on the tax statement.

## Article 3: Aids to Local Governments

### Overview

Modifies the City LGA formula and increases the appropriation by \$60 million in 2008. Modifications include:

- Replacing the small city need formula with a simplified formula based on population;
- Adjusting the need measure for inflation since 2000;
- Removing the taconite aid offset from the formula
- Adopting the volatility corrections proposed by the League of Minnesota Cities and other city groups.

Increases the city aid base portion of LGA for the cities of Newport, Taylors Falls, Rockville and Browns Valley.

Provides a \$3 per capita LGA payment to towns beginning with aids payable in 2008.

Increases the appropriation for county program aid by \$15 million for aids payable in 2008, an increase of approximately 7.5% over current law.

Provides for an inflation adjustment for city LGA and county program aid appropriations. The size of the adjustment depends on city organizations developing a consensus on the LGA formula in the future.

Provides that aid formulas reflect changes in property tax bases caused by utility property valuations and the casino in Mahnommen in a timely fashion.

- 1 City revenue need. Changes the revenue need calculation for cities with a population less than 2,500. The current formula is based on population, population decline, age of the housing stock, and commercial/industrial property. In the proposed formula

$$\text{NEED} = \$300 \text{ plus the greater of } \$0 \text{ or } (\text{city population} - 100) \times \$0.31$$

The per capita need cannot exceed \$500 before the adjustment for inflation.

Also changes the inflation factor applied to the need measure from inflation since 2003, to inflation since 2000. Effective beginning with aids payable in 2008.

- 2 City aid base. Gives additional money to the following cities:

- an additional \$75,000 annually to the city of Newport for the years 2008 to 2013;

- an additional \$30,000 in 2008 only to the city of Taylors Falls;
- a permanent increase of \$140,000 annually to the city of Rockville; and
- a permanent increase of \$100,000 annually to the city of Browns Valley.

Effective beginning with aids payable in 2008.

3 County tax-base equalization aid. For aids payable in 2008 and thereafter, adjusts the \$185 per capita amount used in this formula for inflation since 2003. Under current law this amount has been constant.

4 City formula aid. Removes the taconite aid offset from the city LGA formula. Effective beginning with aids payable in 2008.

5 City aid distribution. For aids payable in 2008 each city's aid will equal the sum of (1) its city aid base, (2) one-half of its formula aid in 2007, and (3) its share of the remaining appropriation distributed based on the 2008 formula and formula factors. For aids payable in 2009 and thereafter, each city's aid, prior to any limits on increases and decreases, is equal the sum of (1) its city aid base; its formula aid in the previous year before any limits, and its share of the remaining current appropriation distributed based on the current formula and formula factors.

The current limit on annual increases in aid to a city is increased from 10 percent of its previous year's levy to 25 percent for 2008 only to allow the increased appropriation to be distributed via the formula. The total decrease in aid to a city in any year is modified to equal:

- the lesser of \$15 per capita or 10 percent of the previous year's levy for cities with a population of 2,500 or more; and
- the lesser of \$15 per capita or 5 percent of its 2003 certified LGA for cities with a population less than 2,500.

For 2008, the aid a small city receives under the proposed changes may not be less than what it would receive under the current law.

Effective for aids payable in 2008 and thereafter.

6 Town LGA. Provides a \$3 per capita LGA payment to towns beginning with aids payable in 2008. To qualify a town must have levied property taxes in the previous year. There are slightly over 1,800 towns in the state with a 2005 population of 994,916. The aid will be equal to about \$2,985,000 for CY 2008. Towns have not received LGA since 2001.

7 Annual appropriation. Increases the appropriation for city LGA in 2008 by \$60 million, to \$545,052,000. Increases the appropriation for the "need aid" component of county program aid by \$7.5 million, from \$100.5 million to \$108 million, for aids payable in 2008 and increases the appropriation for the "tax base equalization aid" component of county program aid by \$7.5 million, from \$105.1 million to \$112.6 million, for aids payable in 2008.

Also increases the appropriation for these aid programs beginning in 2009 for inflation The increase will be one percent annually for counties, and one percent annually for cities unless



the cities reach consensus and the legislature enacts a new LGA formula. If this occurs, LGA increases will be based on the increase in the implicit price deflator for state and local government consumption expenditures and gross investment, limited to a minimum of 2.5% and a maximum of 5%.

- 8 Utility property; tax base adjustments for calculation of school district levies and aids. Eliminates the one-year lag between when assessment changes occur and when they are reflected in school formulas for the valuation changes in utility property under Minnesota Rules, Chapter 8100. Effective for aids and levies in fiscal years 2009 to 2011.
- 9 Utility property; tax base adjustments for calculation of county and city aids. Eliminates the one-year lag between when assessment changes occur and when they are reflected in county and city aid formulas for the valuation changes in utility property under Minnesota Rules, Chapter 8100. Effective for aids payable in 2008 to 2010.
- 10 Mahnomen County; county, city, school district, property tax reimbursement.

Subdivision 1. Aid appropriation. Provides a onetime payment of \$250,000 to Mahnomen County in 2008.

Subd. 2. School district and city tax base adjustment. Continues the tax base adjustment used in calculating school district levies for the Mahnomen School District. Originally this adjustment was intended to address Pay 2007 but was not made. It needs to be made for subsequent years while the exemption of the casino is still in dispute. Makes the same adjustment to the tax base used in calculating city LGA while the land is in dispute to allow the lost revenue to be recognized by the formula. These adjustments end one year after the disputed property is removed from the tax rolls.

- 11 Study of the city local government aid program. Provides for the commissioner of revenue to work with the interested city organizations on examining the current LGA formula and reaching consensus on needed changes. The commissioner shall report on the results of this effort by February 1, 2008. If recommendations are developed and the legislature adopts the recommendations the inflation factor applied to city and county aid appropriations will be increased.

## **Article 4: Property Taxes**

### **Overview**

Extends by one year the time for filing property tax refund claims for homeowners and renters

Allows owners of homestead property to pay their property tax in 8 equal installments, rather than the current two payments

Expands eligibility for the senior citizen property tax deferral program

Establishes a seasonal recreational property tax deferral program

Reinstates the "this old house" program, which excludes the increase in value due to a new improvement made to an older home for 10 years

Changes some of the requirements for class 4d low-income apartment property allowing more property to qualify; and adds a requirement on property having police/sheriff calls over a certain threshold

Increases the market value eligible for the first-tier classification of class 1c homestead resorts from \$500,000 to \$600,000 and reduces the class rate from 0.55% to 0.5%

Increases the current class rate on electric generation personal property from 2.0 percent to 3.0 percent; and on personal property of transmission and distribution systems from 2.0 percent to 2.25 percent

Exempts from property tax: the personal property of a proposed electric generation peaking plant; the homestead of a military veteran (the amount of exemption is based on the level of disability); modular homes owned by a dealer and used as models for up to 5 years; and certain apprenticeship training facilities

Authorizes a reduced property classification rate for qualifying nonprofit community service-oriented organizations (i.e., the VFW, American Legion, etc.)

Requires the commissioner of revenue, in consultation with county officials, to improve public awareness and participation in property tax relief programs

Requires cities with a population of more than 2,500 and counties to prepare and send a supplemental proposed property tax notice under certain circumstances

Allows for a single joint truth-in-taxation public advertisement and hearing involving the county, and all other taxing authorities in the county (Greater

Minnesota)

Requires studies of the costs of the truth in taxation program and the level of taxpayer participation at the hearings and of the fiscal disparities program

Eliminates the city of Bloomington's obligation to repay the fiscal disparities pool for additional distributions received from the pool between 1988 and 1999

- 1 Payment in lieu of taxes; towns that incorporate as a city. Allows a town that received a payment in lieu of taxes in 2006 or thereafter, and subsequently incorporated as a city, to continue to receive any future year's allocations that would have been made to the town had it not incorporated. Effective for aid payments made in 2007 and thereafter. Currently the city of Columbus is the only city to qualify for this provision.

Background. These payments are made by DNR, and the ones specifically included in this section are for public hunting areas and game refuges. A payment is made to the county and the county treasurer allocates the payment amount to the county, towns, and school districts on the same basis as if the payments were property taxes on the land (i.e., using the local tax rates to allocate the amounts). Since the language references "towns" and not "municipalities," if a town incorporates as a city, it appears that there is no authority for the county treasurer to distribute the share that the town would have received to the city. This section allows for that authority.

- 2 Agricultural lands. Provides that when agricultural land that is enrolled in the Green Acres program is sold, and the purchaser changes its use that would result in a classification change, the sales ratio study must take it into account as soon as practicable. A change in status from agricultural homestead to agricultural nonhomestead or agricultural nonhomestead to agricultural homestead is not a change in classification under this section.

Effective for the first sales ratio study prepared following the day following final enactment.

- 3 Modular homes used as models by dealers. (a) Exempts a modular home from property taxation for up to five assessment years if it is:

- owned by a modular home dealer and located on land owned or leased by the dealer;
- a single-family model home;
- used exclusively as a model and not available for sale;
- not permanently connected to any utilities except electricity; and
- situated on a temporary foundation.

(b) Provides that the exemption is for up to five assessment years provided that the modular home meets all of the criteria in (a). Requires the owner of the modular model home to notify the assessor within 60 days after it has been constructed or situated on the property and again

if the home ceases to meet any of the criteria.

(c) Defines "modular home" as a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be assembled on-site as a single-family dwelling. Also requires the modular home to comply with certain applicable construction standards.

Effective for assessment year 2007 and thereafter. Provides that the five-year time period begins with the 2007 assessment for a modular home currently situated provided it meets all the criteria and the county assessor is notified with 90 days.

4 Electric generation facility; personal property. (a) Exempts the attached machinery and personal property that is part of a simple-cycle combustion-turbine electric generation facility that exceeds 150 megawatts of installed capacity. The proposed facility will be built in the City of Elk River (Sherburne County). At the time of construction the facility must:

- 1. utilize natural gas as a primary fuel;
- 2. be owned by an electric generation and transmission cooperative;
- 3. be located within one mile of an existing 16-inch natural gas pipeline and a 69-kilovolt and 230-kilovolt high-voltage electric transmission line;
- 4. be designed to provide peaking, emergency backup, or contingency services;
- 5. have received a certificate of need under 216B.243 demonstrating demand for its capacity; and
- 6. have received local approval from the governing bodies of the county and the city where the facility is to be located for the personal property exemption.

(b) Requires the construction of the facility to be commenced after January 1, 2008, and before January 1, 2012. The exemption does not include electric transmission lines and interconnections appurtenant to the property or facility.

Effective the day following final enactment.

5 Apprenticeship training facilities. Exempts the property used to operate a state-approved apprenticeship program from property tax if the property is owned by a 501(c)(3) nonprofit corporation, and if the program participants receive no compensation.

Effective for property taxes payable in 2008 and thereafter.

6 Certificate of value; requirement. Requires that the certificate of value include any proposed change in use of the property known to the person filing the certificate that could change the classification of the property. A certificate of value must be filed when property is sold. It is the basis for the sales ratio study prepared by the department of revenue and used in equalization of values.

7 Valuation exclusion for certain improvements. Re-establishes the "This old house" program that was in effect from 1993 to 2003. This program excludes up to \$75,000 of qualifying value

of new improvements provided that:

(1) the house is at least 50 years old at the time of the improvement, and

(2) the assessor's estimated market value of the house on January 2 of the current year does not exceed \$400,000.

The improvements for a single project or in any one year must add at least \$15,000 to the value of the property to be eligible for the exclusion, but no more than two separate improvements may be made to the homestead. The exclusion is for 10 years, and shall be added back to the property as follows;

(1) 50 percent in the two subsequent assessment years if the qualifying value is equal to or less than \$20,000 market value; or

(2) 33 1/3 percent in the three subsequent assessment years if the qualifying value is greater than \$20,000.

The owner must file an application with the assessor. Various provisions are specified in this section for filing the application and for property located both in jurisdictions requiring and not requiring building permits. Most of the language is identical to what was in effect under the former "This old house program."

Valuation exclusion terminates whenever the property is: (1) sold; or (2) reclassified to a class that does not qualify.

Effective for improvements made after January 2, 2008.

8 Green acres applications denied by county. Requires each county (for applications filed for the 2007 and 2008 assessment years), to forward to the Department of Revenue all applications for participation in the green acres program that the county has denied, and a list of property owners who requested an application and were denied. Requires the department to compile a list of the denials along with the reasons for the denials and file an annual report by February 1, 2008, and February 1, 2009, with the chairs of the House and Senate Tax Committees.

Effective for applications filed after the day following final enactment.

9 Relative homesteads; general rule. Eliminates relative homesteads for non-agricultural properties, other than those approved prior to July 1, 2007. Under current law, residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is granted homestead status as if it were owner-occupied. In the case of residential homesteads, "relative" includes a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or by marriage.

Effective the day following final enactment.

10 Agricultural homesteads; special provisions. Makes two changes to the special agricultural homesteads:

Government lots and correctional 40s. Clarifies that the requirement to have at least 40 acres

to qualify for this special homestead, allows for adjustments made for government lots and correctional 40's.

Noncontiguous property. Eliminates the requirement that noncontiguous property be within four townships or cities or combination thereof to be part of the agricultural homestead, and replaces it with the requirement that noncontiguous property either be in:

- ▶ the same county as the agricultural homestead or
- ▶ a county contiguous to the county in which the agricultural homestead is located.

Effective for the 2008 assessment, taxes payable in 2009 and thereafter.

- 11 Requirement. Decreases the percentage of units needed for a property to qualify for the 4d (low-income apartment) classification from 75 percent to 25 percent. The class rate for 4d is 0.75 percent as compared to the regular apartment class rate of 1.25 percent of market value. This will allow more buildings to be classified 4d. However, as under current law, only the proportion of qualifying units to the total number of units in the building qualify as class 4d.

Also allows low-income rental property that is receiving financial assistance from a local government (and whose units are subject to rent and income restrictions under the terms of those agreements) to qualify for the 4d classification. Under current law, properties must receive assistance from either the state of Minnesota or the federal government to qualify.

Effective for taxes levied in 2007, payable in 2008, and thereafter.

Adds another requirement for some property to qualify for class 4d for certain property (see next section)

- 12 Participation in crime-free multi-housing program. (a) Adds an additional requirement for "qualifying property" under paragraph (b) to receive the 4d property classification. If "qualifying property" is located in a city or county that offers a crime-free multi-housing program through its city police or its county sheriff, the owners or managers are required to complete the three phases of the program and annually be certified by the police or sheriff as participating in the program.

If the property is not certified within one year after its initial 4d classification, or does not annually maintain its program certification, the city or county shall notify the property owner that the property must be in compliance in order to maintain its 4d classification. If it is not in compliance within one year after receiving the notice, a second notice is issued and the owner has one year to comply. If the owner is still not in compliance, the Minnesota Housing Finance Agency (MHFA) shall be notified and the property shall be removed from the list of qualified 4d properties certified to the county assessor.

Once removed from the list, the property is not eligible for class 4d until the property owner complies with this subdivision. Certification to MHFA must be made by May 15<sup>th</sup> to be effective for taxes payable in the following year.

(b) Defines "qualifying property" as property that:

(1) is located in a city or county that offers a crime-free multi-housing program through its city police or county sheriff;

(2) police or sheriff calls over the preceding two-year time period, exceeded the average number of calls for multiunit rental properties in the jurisdiction, adjusted for number of units, by at least 25 percent;

(3) police or sheriff requested in writing that the owners or managers enroll in the crime-free program, and they refused or failed to enroll within 60 days, or failed to complete all three phases of the program with a specified time; and

(4) determined by the governing body of the city or county to be qualifying property.

Effective date; transition. Provides that sections 0 and 0 are effective for property taxes payable in 2008 and thereafter. Low-income rental property classified as class 4d property for taxes payable in 2007 (current year) must meet the requirements by May 15, 2010.

13 Class 1c Homestead resorts; homesteads of disabled and blind;

Homestead resorts class 1c property. Increases the amount of market value eligible for the first-tier classification rate of class 1c homestead resort property from \$500,000 to \$600,000 and decreases the class rate of the first tier from 0.55 percent to 0.50 percent. The proposed tier structure and class rates would be as follows:

Tier and Classification Rate			Market Value Eligible	
	Current Law	Proposed	Current Law	Proposed Law
I	0.55%	0.5%	\$0 - \$500,000	\$0 - \$600,000
II	1.0%	1.0%	\$500,000 - \$2,200,000	\$600,000 - \$2,300,000
III	1.25%, and subject to state general tax	1.25%, and subject to state general tax	Over \$2,200,000	Over \$2,300,000

Effective for taxes payable in 2008 and thereafter.

Resorts; definition. Defines a resort for purposes of this section. This was part of a recommendation from a Department of Revenue task force required by the 2005 Legislature. Currently there is no definition in statute and one is needed for uniformity. These changes are effective for assessment year 2008, taxes payable 2009 and thereafter.

Disabled homestead; class 1b. Increases the market value eligible for the 1b classification from \$32,000 to \$50,000. This class, which has a class rate of 0.45 percent, includes homestead property of persons who are blind and any person who is permanently and totally disabled. The language that is stricken relating to veterans homesteads, is no longer needed because of the new veteran exemption in section 0.

Effective for assessment year 2007 and thereafter, payable 2008 and thereafter.

14 Class 2; agricultural homesteads; rural vacant land.

Agricultural homesteads. Reduces the class rate on the first tier of agricultural homesteads

from 0.55 percent to 0.5 percent of market value. For taxes payable in 2007, the first tier of agricultural market value is \$690,000. For taxes payable in 2008, the first tier will be \$790,000.

Effective for taxes payable in 2008 and thereafter.

Rural vacant land. Establishes a new rural vacant land classification that was recommended by a Department of Revenue task force. The new classification is intended to improve uniformity in valuing and classifying this type of rural land. The 2005 Legislature required the DOR to review this topic. The new subclass includes unplatted real estate that is rural in character and consists of at least ten acres, including land used for growing trees for timber, lumber, and wood products but not used for agricultural products. An ancillary nonresidential structure (i.e., a hunting shack) does not disqualify the property from this classification. The establishment of this new subclass will aid assessors in classifying this rural vacant land that is now being classified differently.

The other changes made in the section are changes to references due to the addition of the new rural vacant land subclass.

Effective for assessment year 2007 and thereafter, payable in 2008 and thereafter.

15 Class 3. Clause (2). Increases the current class rate on personal property attached machinery of an electric generation system class rate from 2.0 percent to 3.0 percent.

Clause (3). Increases the current class rate on the personal property of all transmission and distribution systems from the current class rate of 2.0 percent to 2.25 percent. This includes systems that are part of a pipeline system transporting or distributing water, gas, crude oil or petroleum products, including attached machinery (item (i)); or that are part of an electric transmission or distribution system, including attached machinery (item (ii)). This includes transformers and substations.

No class rate changes are made to public utility real property (i.e., land and structures).

Effective for taxes levied in 2007, payable in 2008 and thereafter.

16 Class 4c; community service-oriented organizations; resorts definition.

Community service-oriented organizations. Expands the 4c property classification to nonprofit community service-oriented organizations that make charitable contributions and donations at least equal to the organization's previous year's property taxes and that allow the property to be used for public and community meetings or events at no charge, as appropriate to the size of the facility. This portion of class 4c has a class rate of 1.5 percent and is subject to the state general tax at the seasonal-recreational rate. Under current law, this type of property is classified as commercial class 3a (the first \$150,000 market value has a rate of 1.5 percent, the market value over \$150,000 has a rate of 2 percent, and the property is subject to the state general tax at the commercial-industrial rate)

Under current law, real property up to a maximum of one acre that is owned by a nonprofit community service-oriented organization qualifies for class 4c if the property is not used for revenue producing activity for more than six days in the calendar year preceding the year of



the assessment. This section leaves that option, but adds a second alternative to qualify and extends the maximum land size to 3 acres. The acreage is made larger primarily to allow for parking lots, ball fields, etc. Provides that an organization qualifies if it makes annual charitable contributions and donations at least equal to the organization's previous year's property taxes and it allows the property to be used, size permitting, for public and community meetings or events for no charge. The types of organizations that would be affected by this change are the VFWs, American Legions, Knights of Columbus, etc.

Defines "charitable contributions and donations" as having the same meaning as the lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs and utility payments. The allowable contributions and donations include: contributions to scholarship funds for defraying the cost of education; contributions to an individual or family suffering from poverty, homelessness, physical or mental disability; contributions for treatment for delayed posttraumatic stress syndrome or for the education, treatment or prevention of compulsive gambling; contribution or expenditures on a public or private nonprofit educational institution; recreation, community, and athletic facilities and activities intended primarily for persons under the age of 21; contributions to members of military marching or color guard unit; etc.

Defines "property taxes" as excluding the state general tax.

Requires the organization to maintain records of its charitable contributions and donations and of public meetings and events held on the property, and to make them available upon request at any time to the assessor to ensure eligibility. Requires an organization meeting these requirements to file an application by May 1 on a form prescribed by the commissioner of revenue.

Effective for the 2007 assessment and thereafter, taxes payable in 2008 and thereafter. For the 2007 assessment year, the application deadline is extended to September 15, 2007.

Resorts definition. Provides the same definition of a "resort" under this class 4c (commercial seasonal resorts) as in section 0 under the class 1c homestead resorts, as recommended by the Department of Revenue task force. Effective for assessment year 2008, payable 2009.

17 Classification of unimproved property. Contains a technical change due to the new rural vacant land changes in section 0.

18 Homestead of a disabled veteran. (a) Provides a market value exclusion for property taxation purposes for the homestead of an honorably discharged veteran who has a military service-connected disability of 50% or higher, as determined by the United States Department of Veterans Affairs.

(b) This new benefit would be tiered, as follows:

- \$100,000 market value exclusion, for a veteran with a service-connected disability rated as being at least 50% but less than 70%;
- \$150,000 market value exclusion, for a veteran with a service-connected disability rated at 70% to 100%; and

- \$300,000 market value exclusion, for a veteran with a service-connected disability rated as being *total and permanent*.

(c) Upon the death of the veteran, the market value exclusion benefit carries over to the person's spouse, if the spouse co-owns or inherits the home.

(d) For an agricultural homestead, the market value exclusion applies to only the house, garage and surrounding one acre of land.

(e) Provides that property qualifying for a valuation exclusion under this subdivision is not eligible for the market value credit.

(f) The property owner must apply to the assessor each year, unless the person's disability is rated as *total and permanent*.

Note: Only a 100% service-connected disability can be rated as *total and permanent* by the US/DVA. However, most 100% disability ratings are not designated as being *permanent*, leaving open the possibility of the VA downgrading the rating should the person happen to recover somewhat.

19 Supplemental notice of proposed levy increases. (a) Requires a city with a population over 2,500 or a county that proposes a levy increase greater than the threshold increase calculated under (b) to prepare and deliver by first class mail a supplemental proposed property tax notice to each taxpayer in the jurisdiction.

(b) Provides that the threshold increase in the proposed property tax levy is equal to the previous year's levy, multiplied by (1) one percent, (2) the percentage growth, if any, in the population in the taxing jurisdiction for the most recent available year, (3) the percentage increase in the total market value in the taxing jurisdiction due to new construction of commercial and industrial property, and (4) the percentage increase in the implicit price deflator (IPD) for the most recent 12 month period ending March of the levy year.

(c) Requires the supplemental proposed notice to show the taxing jurisdiction's (1) levy for the previous year, (2) its threshold levy increase which indicates that the increase is calculated to reflect reasonable growth adjusting for population increases, increased demand from new business, and inflation, (3) the proposed property tax increase, and (4) the amount by which the proposed increase exceeds the threshold increase. The notice must contain a description of why the jurisdiction needs to raise its property taxes above the threshold amount and how they plan to spend the additional revenue.

Effective for taxes levied in calendar year 2007 and thereafter.

20 Joint public hearings; nonmetropolitan counties, cities, and school districts. (a) Allows the county to hold a joint public TnT hearing with the governing bodies of all of the taxing authorities located wholly or partially within the county that are required to hold a public hearing. States that the primary purpose of the joint hearing is for taxpayer efficiency by allowing taxpayers to come to a single public hearing to discuss the budgets and proposed levies of most of the taxing authorities that impact their property taxes.

(b) Provides that this joint public hearing applies only to counties located outside the seven

county metropolitan area. If a city or school district is located partially within the seven metro counties, that taxing jurisdiction may participate in its nonmetropolitan county's joint hearing, at its own discretion.

(c) Provides that upon adoption of a resolution by the county board to hold a joint hearing, the county shall notify each city with a population over 500 and each school district that is located wholly or partially within the county of its intention to hold the joint hearing and ask each of the taxing authorities if they wish to participate. Participation is voluntary, but is in lieu of each authority's separate hearing.

(d) Provides that the joint hearing shall be held on the first Thursday in December. (That is the regularly scheduled date for the counties to hold their initial hearing.) Additional hearings may be held if taxing authorities want them.

Provides that the county board shall obtain a meeting space to hold the hearing, preferably at a public building such as a courthouse, school, or community center, and be as centrally located in the county as possible.

The meeting shall be structured in the following general manner:

- 1. first 30-60 minutes, discussion of county's budget and levy;
- 2. next 30-60 minutes, discussion of city's budget and levy, each city's discussion must be held in separate room, preferably in same building;
- 3. next 30-60 minutes, discussion of school district's levy, each school district's discussion must be held in separate room, preferably in same building;
- 4. the last 30 minutes, reassemble the joint meeting with all governing bodies to entertain any follow-up questions.

An attempt should be made to keep the total public hearing time within 3 hours.

(e) Requires a single newspaper advertisement for the county and any city or school district that is participating in the joint hearing. This advertisement is in lieu of the individual newspaper advertisement that is required in current law. The cost of the advertisement is apportioned between the taxing authorities.

Provides that the formal adopting of the taxing authority's levy must not be made at this joint hearing, but rather at one of the regularly scheduled meetings of the taxing authority's governing body. The amount of the levy subsequently adopted cannot exceed the amount disclosed to taxpayers at the joint public hearing.

Effective for hearings held in 2007 and thereafter.

expense figures in the form of

(1) year-end financial statements for the year prior to the assessment date,

(2) year-end financial statements for the year of the assessment date, and

(3) rent rolls on the assessment date including tenant name, lease start and end dates, option terms, base rent, square footage leased and vacant space, verified net rentable square footage of the building or buildings, and anticipated income in the form of proposed budgets.

This will make it easier for petitioners to know exactly what information must be provided to the county assessor no later than 60 days after the filing deadline.

Effective for petitions filed beginning July 1, 2007.

22

Homestead property; monthly payment option. (a) Allows any owner of homestead property (residential, agricultural, and homestead resorts) to make their property tax payments in eight equal monthly installments from May 15<sup>th</sup> to December 15<sup>th</sup> (rather than the current two payments). Requires homeowners desiring that option of payment to apply to the county by April 15<sup>th</sup> of the year the taxes are payable.

(b) Requires counties to establish procedures allowing homeowners the option of paying current year's taxes on an 8 monthly basis. Each county's procedures must address how homeowners can participate, payment plans, including the possibility of automatic bank withdrawals, payment due date notifications, whether to require annual applications, how to modify the settlement process, and any other procedures the county board deems necessary to implement this new payment process.

(c) Requires that the application procedure must be included in the property tax statement mailing.

(d) Provides that the penalties on unpaid taxes under the monthly payment program are the same as under current law by equating the number of days that any of the monthly payments are overdue, corresponding to the current two payment dates.

Effective for taxes payable in 2008 and thereafter.

23

Class 3a property; confession of judgment. Increases the market value from \$200,000 to \$500,000 for commercial/industrial (C/I) property to enter into a confession of judgment. Under current law, owners of C/I property, with delinquent taxes, may enter into a confession of judgment with the county to set up a payment schedule to pay off the delinquent taxes over a 5-year time period. This value has not been increased for many years.

Effective for confessions of judgment entered into July 1, 2007, and thereafter.

24

Property tax refund information in income tax instruction booklet. Requires the commissioner to provide a reference to property tax refunds on the cover of the individual income tax instruction booklet. Also requires information on income eligibility and maximum refund amounts within the instruction booklet.

- Property taxes payable in 2006 and thereafter and rent paid in 2005 and thereafter.
- 25 Property tax refund claims. Extends the time period for filing property tax refund claims from two years to three years. The time period for filing the special property tax refund (i.e., targeting) remains as in current law.
- Effective for property taxes payable in 2006 and thereafter, and rent paid in 2005 and thereafter.
- 26 Senior citizen property tax deferral program; qualifications. Makes two changes to the list of qualifications for the senior citizen property tax deferral program:
- Changes the age requirement so that at the time deferral is first granted only one spouse must be at least 65 years old. Requires the other spouse to be at least 62 years old. Under present law both spouses must be at least 65 years old for a married couple to qualify for the deferral.
  - Ties the maximum income eligible to the maximum eligible for the homeowner property tax refund program. For deferral applications filed on or after July 1, 2007, the maximum qualifying income would increase from the \$60,000 under current law to \$150,000, which is the maximum income for the proposed homestead credit state refund program. The property tax refund maximum is adjusted annually for inflation, so the maximum income that qualifies for the senior deferral would also increase annually under this section.
- 27 Senior citizen property tax deferral program; eligibility. Prohibits individuals who are owners of a life estate or who are purchasing the homestead under a contract for deed from participating in the senior deferral program. In these situations the lien imposed for the deferred amount could be subordinate to other claims when the property is sold.
- 28 Senior citizen property tax deferral program; maximum household income. Requires the commissioner to notify homeowners of the maximum household income that qualifies for the senior deferral program at the time the commissioner notifies homeowners that they have been accepted into the program.
- 29 Senior citizen property tax deferral program; excess income certification by homeowner. Requires the homeowner to notify the commissioner if their household income exceeds the amount provided to them by the commissioner at the time they were accepted into the program. The commissioner is then required to compare the homeowner's household income to the maximum in effect for the previous calendar year. If the homeowner's household income is greater than the maximum for the preceding year, the homeowner is not eligible to defer taxes in that year.
- 30 Senior citizen property tax deferral program; resumption of eligibility. Provides that a homeowner who became ineligible due to having income over the maximum allowed may resume participation in the deferral program if their household income falls below the maximum in a subsequent year.
- 31 Senior citizen property tax deferral program; determination by commissioner. Provides that homeowners with household income above the maximum allowed are not eligible for the deferral. Current law references the fixed \$60,000 amount; this section changes the reference to be to household income as defined in the property tax refund chapter.
- 32 Senior citizen property tax deferral program; interest on deferred amounts. Provides that the state will not charge interest on deferred property taxes beginning with property taxes payable

in 2008 for current program participants, and all amounts deferred for homeowners applying on or after July 1, 2007. Under current law the interest rate is the same rate used by the Department of Revenue for income and sales tax refunds, except that in the deferral program the rate is limited to a maximum of five percent interest, calculated annually and added to the total amount deferred.

33 Seasonal recreational property tax deferral program. Establishes the "seasonal recreational property tax deferral program" (sections to 0to 0).

34 Terms.

Subdivision 1. Terms. Defines the terms used in this section.

Subd.2. Primary property owner. "Primary property owner " means a person (1) who has been the owner, or one of the owners, of the eligible property for at least 15 years prior to filing the application to be in the program; and (2) applies for the deferral of the property taxes.

Subd. 3. Secondary property owner. "Secondary property owner" means any person, other than the primary property owner, who has been an owner of the eligible property for at least 15 years prior to the year the initial application is filed for deferral of property taxes.

Subd. 4. Eligible property. "Eligible property" means a parcel of property or contiguous parcels of property under the same ownership and classified as noncommercial seasonal residential recreational property (i.e., cabins).

Subd. 5. Base property tax amount. "Base property tax amount" means the total property taxes levied by all taxing jurisdictions, including special assessments, on the eligible property in the year prior to the year that the initial application is approved and payable in the year of that application.

Subd. 6. Special assessments. "Special assessments" mean any assessment, fee, or any other allowable charge that appears on the property tax statement for the property.

Subd.7. Commissioner. "Commissioner" means the commissioner of revenue.

35 Qualifications for deferral. Defines the criteria needed for a property to qualify for deferral:

(1) the property must have been owned by the primary owner for at least 15 years prior to enrolling in the deferral program.

(2) there can be no state or federal tax liens or judgment liens on the property;

(3) there can be no mortgages or other liens on the property except for those subject to the credit limits under clause (4); and

(4) the total amount of secured debt on the property, including mortgages and other liens, delinquent special assessments, and delinquent property taxes, but not including the current year's property taxes, may not exceed 60 percent of the property's estimated market value.

36 Application for deferral.

Subdivision 1. Initial application. (a) Requires an owner of a qualified property to file an application on or before July 1 of any year in order for property taxes payable in the

forthcoming year to qualify for deferral. The application must include:

- (1) the name, address and social security number of the primary owner and any secondary owners;
- (2) a copy of the current year's property tax statement;
- (3) the initial year of ownership of the primary owner and any secondary owners;
- (4) information on all loans secured by mortgages or other liens on the property; and
- (5) the signature of the primary owner and all other owners, stating that they agree to having the property enrolled in the program.

The application must state that program participation is voluntary, including authorization for the annual deferred amount. Provides that the deferred tax amount is public data.

(b) Allows the commissioner of revenue to ask for a report by a licensed abstracter in the case of abstract property seeking enrollment in the deferral program.

Subd. 2. Approval; recording. Requires the commissioner of revenue to notify applicants of enrollment prior to December 1 for taxes payable in the following year, and to file a notice of qualification for deferral with the county recorder.

Subd. 3. Penalty for failure; investigations. Requires the commissioner to assess a penalty equal to 20 percent of the deferred tax in the case of a false application, or 50 percent in the case of the taxpayer knowingly filing a false application.

Subd. 4. Annual certification to commissioner. Requires the primary property owner to certify annually by July 1 that the property continues to qualify for the program. Requires that if the primary owner has died or has transferred the property, the primary owner's spouse or a secondary owner may make the certification, and in that case that person will become the primary owner. Provides that if neither the primary owner, the primary owner's spouse nor a secondary owner are eligible to file the annual certification, the property's participation in the program will terminate and payment of the deferred taxes must be made.

Subd. 5. Annual notice to primary owner. Requires the commissioner of revenue to annually notify the primary owner of the total amount of deferred taxes for each participating property.

37 Deferred property tax amount.

Subd. 1. Calculation of deferred property tax amount. Provides that the deferred tax amount for a qualifying property each year is 50 percent of the amount by which the current year's property tax (including special assessments) exceeds the property taxes in the base year (year of application). Provides that any tax attributable to improvements made to the property since the base year are not subject to deferral. Also provides that the deferred tax amount is to be shown on the tax statement.

Subd. 2. Certification to commissioner. Provides that the county auditor shall annually certify the amount of deferred taxes to the commissioner of revenue for each qualifying property.

Subd. 3. Limitation on amount of deferred taxes. Provides that the total amount of deferred taxes on a property, when added to any unpaid special assessments and/or

property taxes and the balance owed on any mortgages at the time of application and the amount of other secured liens at the time of application, must not exceed 60 percent of the property's estimated market value.

38 Lien; deferred portion. (a) Provides that interest on the deferred taxes will accrue at a rate not to exceed two percent more than the interest rate on deferred taxes under the senior deferral program in chapter 290B.

(b) Provides that the deferred taxes become a lien on the property. Contains standard language pertaining to what happens when the property taxes are not paid on the property participating in the program.

39 Termination of deferral; payment of deferred taxes.

Subdivision 1. Termination. (a) Provides for program termination whenever:

(1) the eligible property is transferred to someone other than the primary owner's spouse or a secondary owner;

(2) the primary owner dies, or in the case of a married couple both spouses die, provided that there is not a secondary owner eligible to become a primary owner;

(3) the owners notify the commissioner of revenue that they no longer wish to participate in the program; or

(4) the property no longer qualifies for deferral.

(b) Provides that a property is not terminated from the program just because no taxes are deferred in any given year.

(c) Provides that if an eligible property becomes the homestead of one of the owners, and if the homeowner qualifies for the senior deferral program, the deferred tax under the seasonal-recreational deferral program will be rolled-over to the senior deferral program.

Subd. 2. Payment upon termination. Provides that the deferred taxes become due and payable within 90 days of termination if the primary owner dies or transfers the property, or within one year if the owners opt-out of the program or if the property ceases to remain eligible.

40 State reimbursement. Provides that the state will pay the deferred tax amount to each county treasurer by August 31 of each taxes payable year. Appropriates to the commissioner of revenue annually a sum sufficient to pay the deferred tax amounts.

41 Town of Scambler, Otter Tail County, aggregate tax. Authorizes the Town of Scambler to impose an aggregate (gravel) tax if one is not imposed by Otter Tail County. Provides that in lieu of the normal distribution of the gravel tax, all of the tax proceeds will be retained by the Town of Scambler. If the county imposed the tax, the normal distribution would be: county road and bridge fund, 60%; city/town for roads and bridges, 30%; restoration of abandoned pits, 10%.

Further provides that if at some later time Otter Tail County imposes a gravel tax, the gravel tax authorized under this subdivision would be repealed on the effective date of the Otter Tail County tax.



Effective upon local approval by the governing body.

42 Hardship assessment deferral; veterans. Extends the option to defer certain assessments to members of the National Guard and military reserves ordered into active service. Currently a county, city, or town, at its discretion may defer the payment of special assessment for any homestead property of seniors and disabled persons that it determines causes a hardship. This section adds veterans to that authorization.

Effective day following final enactment and applies to any special assessment for which payment is due on or after that date.

43 Abatement; delinquent taxes. Extends economic development property tax abatement authority to delinquent taxes, penalties, and interest, thereby allowing political subdivisions to include those amounts in any property tax abatement they grant. Present law limits this authority to the current year taxes. These property tax abatements may be used for economic development, such as to encourage a business to locate or expand in a given area, as well as to finance public infrastructure or to phase-in large tax increases. The abatements may be either permanent forgiveness or a temporary deferral of property tax. This authority was given to counties, cities, towns, and school districts in 1997 to provide an alternative to TIF and to supplement it.

Paragraph (b) provides that if delinquent taxes are abated, the years for which they are abated are included in computing the duration limits.

Effective for abatements granted after December 31, 2006.

44 Use of proceeds; fiscal disparities. Technical section eliminating a cross-reference due to the repealer in section 0.

45 Area wide tax rate; fiscal disparities. Technical section eliminating a cross-reference due to the repealer in section 0.

46 Certification of values; fiscal disparities. Technical section eliminating a cross-reference due to the repealer in section 0.

47 Fiscal disparities study.

Subdivision 1. Study required. Requires the commissioner of revenue to conduct a study of the metropolitan fiscal disparities program and make a report to the house and senate tax committees by February 1, 2008. The study is to consider whether the fiscal disparities program is meeting the following goals, and what changes could be made in furtherance of the goals:

- 1) Reducing the extent to which the property tax system encourages inefficient development patterns
- 2) Ensuring that the benefits of economic growth are shared throughout the region
- 3) Allowing taxing jurisdictions to deliver services in proportion to their tax effort
- 4) Compensating jurisdictions for low-tax-yield properties that provide regional benefits

- 5) Promoting a fair distribution of tax burdens across the region
- 6) Reducing economic losses from competition for commercial-industrial tax base.

Subd. 2. Appropriation. Appropriates \$150,000 to the commissioner of revenue to conduct the study required under subdivision 1.

Effective July 1, 2007.

48 Improving public awareness and participation in property tax relief programs. Requires the commissioner of revenue, in consultation with county officials, to undertake to improve the public's awareness of and participation in property tax refund programs, including the regular homeowner and renter and the additional refund (i.e., targeting), the senior property tax deferral program and the seasonal recreational property tax deferral program.

Provides a list of options that the commissioner must consider (including, but not limited to):

- (i) direct mailings to homeowners;
- (ii) an insert in the property tax statement;
- (iii) more prominent and direct references to the programs on the property tax statement;
- (iv) notification on the property tax statement envelopes or folders;
- (v) public service announcements, including print, broadcast, and internet; and
- (vi) information and handouts at the truth in taxation hearings.

Effective the day following final enactment.

49 Truth in taxation program: Costs and participation study. Requires the commissioner of revenue to prepare a study of the costs of the truth in taxation (TnT) program and the level of taxpayer participation in the hearings. The costs of preparing and mailing the TnT notices, the newspaper advertisements, and any costs associated with the public hearings must be included. The report must also make recommendations for ways to increase taxpayer participation in the local government budget process, including but not limited to the truth-in-taxation process. The report must be delivered by January 15, 2008, to the chairs of the senate and house committees and divisions with jurisdiction over property taxes.

Effective the day following final enactment.

50 Repealer. Repeals statutory provision requiring the city of Bloomington to make additional payments to the fiscal disparities pool over a ten-year period from 2009 to 2018 as repayment for additional distributions received from 1988 to 1999.

Background: As the Mall of America project was being considered in the mid-1980s, MnDOT plans called for improvements to be made to Hwy. 77 in the vicinity of the Mall site sometime in the mid-1990s. An agreement was reached between the state and the city of Bloomington to issue bonds to make the improvements ten years early. The state was to pay the principal at the time the improvements were scheduled to be made, and the interest payments were to be

made by the fiscal disparities pool. The interest payments from the fiscal disparities pool (\$48.6 million) were considered to be a "loan" to the city of Bloomington - in return, Bloomington was to repay the pool over a ten-year period beginning in 2000. The legislature has delayed the start of the repayment twice, so that it is now scheduled to begin with taxes payable in 2009.

Effective for taxes payable in 2008 and thereafter.

## **Article 5: Local Sales Taxes**

### **Overview**

Prohibits local governments from seeking authority for imposing a local sales tax after January 1, 2008, and prohibits them from spending money to promote seeking a local sales tax in the future.

Allows the city of Duluth to increase its food and beverage tax from one and one-half percent to two and one-quarter percent.

Allows the city of Bemidji to fund a regional events center as well as parks and trails from its local sales tax.

Allows the city of Crookston to impose a local 1/2 of one percent sales tax and to fund up to \$10 million for flood control projects. Voters must approve imposition of the tax at a general or a special election.

Allows the city of North Mankato to impose a local 1/2 of one percent sales tax to fund up to \$6 million plus associated bond costs on specified capital projects. Voters already approved imposition of the tax for these projects at the November 2006 general election.

- 1 Authorization; scope (local sales taxes). States that a political subdivision may only impose a general sales tax if permitted by a special law enacted prior to January 1, 2008. Prohibits a political subdivision from seeking authority for a local sales tax after January 1, 2008 or from spending any of its own revenues to advertise, promote, or hold an election for a referendum to support imposing a local sales tax.
- 2 Duluth; food and beverage tax. Allows the city of Duluth to increase its food and beverage tax from one and one-half percent to two and one-quarter percent. The increase does not require voter approval. The extra three quarters of one percent tax must be used to help pay off the \$38 million in debt issued for building a new ice arena and related improvements to the Duluth Entertainment and Convention Center. This portion of the tax will expire when sufficient revenues are raised from this and other revenue sources to pay these bonds.

Revenues from the current tax are being used to repay \$8 million of bonds for capital improvements to the Duluth Entertainment and Convention Center and \$5 million for the Great Lakes Aquarium. Current law requires that this portion of the tax will be reduced from one and one-half to one percent when these debts are repaid.

3 City of Bemidji. Allows the city of Bemidji to expand the projects that it may fund from its existing local sales tax revenues to include a regional event center, based on voter approval received at the November 2006 general election. The revenues currently are earmarked for parks and trail within the city. The bill would allow the city to pay the city's share of constructing a regional events center, not to exceed \$50 million plus associated bond costs. It also allows the city to issue up to \$50 million in bonds for the project, based on the 2006 referendum. The tax would now expire at the earlier of (1) when bonds for both projects are paid off, or (2) when revenues sufficient to pay the \$9.8 million of bonds for the parks and trails have been raised, plus 30 years.

4 City of Crookston, taxes authorized. Allows the city of Crookston to impose a one-half cent local sales and use tax to fund the listed projects.

Subdivision 1. Sales and use tax. Authorizes the city to impose a one-half cent local sales tax , subject to voter approval at either a general or special election by December 31, 2008. States that except for the special election, all other provisions of the statutes regarding local sales taxes will apply.

Subd. 2. Use of revenues. Allows the city to raise \$... million plus associated bond costs from the tax in subdivision 1 to pay for reconstruction of public facilities that need to be relocated in conjunction with the city's flood control plan.

Subd. 3. Bonding authority. Allows the city to issue up to \$10 million in bonds for the project listed in subdivision 3, based on the election approving the tax.

Subd. 4. Termination of taxes. Requires the tax imposed under subdivision 1 to terminate when revenues first meet or exceed an amount equal to \$... million plus any additional costs, including interest, related to the bond issuance. Allows the city to terminate the tax earlier if it so desires.

5 City of North Mankato, taxes authorized. Allows the city of North Mankato to impose a one-half cent local sales and use tax to fund the listed projects.

Subdivision 1. Sales and use tax. Authorizes the city to impose a one-half cent local sales tax, as already approved by voters at the 2006 general election. The statutes regarding local sales taxes will apply to the imposition, collection, and administration of the tax.

Subd. 2. Use of revenues. Allows the revenues collected from the taxes in subdivision 1, up to \$6 million plus associated bond costs, to be used for:

- the local share of the Trunk Highway 14/County State Aid Road Highway 41 interchange project;
- development of regional parks and hiking trails;
- expansion of the North Mankato Taylor library;
- riverfront development; and
- lake improvement projects.

Subd. 3. Bonding authority. Allows the city to issue up to \$6 million in bonds for the projects listed in subdivision 2, based on the election approving the tax.

Subd. 4. Termination of taxes. Requires the tax imposed under subdivision 1 to expire

when revenues raised first equals or exceeds \$6 million, plus associated bond costs.