

HOUSE RESEARCH

Bill Summary

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Article 1: Economic Development

Overview

This article provides:

- TIF rules permitting the special pooling allocation for low-income housing to be used for market-rate housing, if the housing has been vacant for six months, is blighted, or is in foreclosure.
- A 10-year duration extension for a TIF district in the city of Lino Lakes.
- A series of corrections and modifications to the 2010 special TIF law enacted for the city of Ramsey.
- \$100,000 of state funding for a border city development program in the city of Taylor Falls.

- 1 Pooling rules; market rate housing.** Modifies the special pooling rules for housing projects. Under present law, an additional 10 percent of increment from a district may be used outside of the area of the district from which it was collected (that is, it may be "pooled" with other moneys to pay development costs) for low-income housing. This bill expands the use of that 10 percent of increment to include purposes taken from the special laws authorizes housing replacement districts for a number cities.

This would allow use for owner-occupied housing with a value up to 150 percent of the average market value of housing in the city, but not to exceed:

- \$200,000 in the seven-county metropolitan area; or
- \$125,000 elsewhere in the state.

The money could be used to acquire the houses, demolish or relocate them, rehab them, do site preparation, or pollution cleanup. To qualify, the sites or housing must meet one of the following conditions:

- Be a 1 to 4 unit dwelling that has been vacant for at least three months
- Be a 1 to 4 unit dwelling that is structurally substandard
- Be in foreclosure
- Consist of vacant land, if the parcel would be used to develop or redevelop housing meeting one of the other three conditions.

This authority is sunset on December 31, 2016, but can be used to continue paying outstanding bonds.

Effective date: Applies to all TIF districts subject to the pooling rules.

- 2 Ramsey; TIF.** Modifies the 2010 special TIF law enacted for the city of Ramsey. It corrects the boundary description in the 2010 law to add an eastern boundary for the district. In addition, it expands the exemptions from general law TIF rules that apply to this district:

- The requirement that 90 percent of redevelopment district increments be spent to correct blight would not apply. The 2010 law provided exceptions from this requirement for various expenditures (e.g., the transit station and related infrastructure), while this provision provides a complete exemption.
- Increments are specifically authorized to be used for costs incurred prior to establishing the TIF district for: (1) land that the city or its housing and redevelopment authority acquired and

(2) public improvements installed in the district.

- The 4-year knock-down rule is extended from 4 years to 6 years. This rule requires some type of development activity to occur on or adjacent to each parcel within four years of certification of the district, if the parcel is to remain in the district. Once development occurs, parcels are reinstated in the district, but with the current value used to compute the original tax capacity.

Effective date: Local approval by city.

- 3** Lino Lakes; TIF. Authorizes the City of Lino Lakes to collect increments from its TIF district No. 1-10 through December 31, 2023. District No. 1-10 is an economic development TIF district, which otherwise would be required to be decertified at the end of 2013, so this is a 10-year extension.

If the city elects to use this authority, it would be required to use increments collected from the district after 2/1/2011 only to pay debt service on bonds issued to finance:

- The county road 23 interchange with I-35W; and
- The Legacy at Woods Edge development.

These expenditures would not be subject to the general law restrictions on pooling, including the 5-year rule, and limits on the type of purposes for which economic development district increments may be spent.

Effective date: Upon local approval by city, county, and school district.

- 4** **Taylors Falls; border city development zone.** Allows the City of Taylors Falls to designate all or any part of the city as a border city development zone. The bill allocates \$100,000 to the city to provide state tax benefits under the zone. This dollar limit does not apply if the commissioner of revenue waives the limit under the general law rules.

The general law rules for border city development zones apply to these zones. This law allows businesses locating or expanding in designated zones to qualify for property tax exemptions, corporate franchise tax credits, and sales tax exemptions. Cities with these powers also can extend some of these benefits to businesses located within their cities, but outside a development zone. To receive these tax reductions, a business must apply to the city in which it is located. Under present law, the cities of Breckenridge, Dilworth, East Grand Forks, Luverne, Moorhead, and Ortonville have border city development zone powers. (Luverne received one-time funding in 2001; the other cities have received biennial funding since designation of the zones in 1998 through the 2007-2008 biennium. No city received border city financing in the 2010-2011 biennium.)

Effective date: Day following final enactment.

Article 2: Local Taxes

Overview

Re-imposes the prohibition on local government spending to promote new local sales taxes for two years, until May 2013. Does not affect new taxes authorized by May 24, 2011.

Authorizes an aggregate materials tax in Glenwood township.

Modifies the authorized uses for sales tax revenues for the existing taxes in the city of Clearwater and in Hennepin County for the ballpark.

Allows an increase in the sales tax rate in the city of Hermantown.

Extends the existing tax and increases the projects funded by the existing Rochester sales tax.

Authorizes new local sales taxes for the cities of:

- Fergus Falls
- Hutchinson
- Lanesboro
- Marshall
- Medford

Requires a study of the use of zip codes in collecting local sales taxes.

- 1 Prohibition on promoting local sales taxes. Re-imposes a limit that expired May 31, 2010, that prohibits a political subdivision from advertising, promoting, expending funds, or holding a referendum to support imposing a local sales tax unless it is for an existing tax or for a tax authorized by special law prior to May 24, 2011-the end of the 2011 legislative session. The new limit would be effective for another two years, until May 31, 2013.
- 2 Aggregate materials tax; Glenwood Township. Provides that if Pope County does not impose the aggregate materials (gravel) tax, authorized by statute, the Glenwood Township may impose the tax in the township instead. The proceeds of the tax would be used for the same purpose as the county tax: 85 percent for roads and bridges and 15 percent for pit and quarry restoration or other conservation or environmental needs. The township tax would be repealed if Pope County started to impose a gravel tax.
- 3 Repeal annual escalator; Hennepin county ballpark tax. Repeals the 1.5 percent escalator that applies to the \$4 million limit on permitted expenditures of baseball park sales tax revenues for extended Hennepin County library hours and youth activities and sports.
- 4 Limit on deposits to reserve fund; Hennepin county ballpark tax. Imposes a \$20 million limit on the amount of reserves that may be maintained for the baseball park and prohibits maintaining a reserve for the purpose of making library and youth activity and sports grants. When the cap on the amount of the reserve fund is reached, this will compel additional revenues from the sales tax to be used to redeem or defease bonds, the only other permitted purposes for these sales tax revenues.
- 5 City of Hermantown; sales tax. Authorizes the city of Hermantown to increase the local sales tax rate from the current 1/2 percent rate to the originally authorized one percent rate if approved by the voters at a general or special election held by the end of calendar year 2012.
- 6 **City of Rochester; use of sales tax revenues.** Allows the city to use its local sales tax revenues to fund the following additional projects:
 - \$47 million for transportation infrastructure improvements (highways and airport), but prohibits any money to be used to fund a railroad bypass that would affect rail traffic in the

city of Rochester;

- \$26.5 million for higher education facilities;
- \$8 million for construction of regional public safety facilities; and
- \$20 million for the Destination Medical Community initiative.

- 7 City of Rochester; bonding authority.** Allows the city to hold the election to issue bonds for the projects in section 6 at the same time they hold the election for the extension of the local sales tax. The amount of the bonds is limited to \$101.5 million plus associated bond costs.
- 8 City of Rochester; termination of sales taxes.** Allows the city to extend the current tax beyond the date necessary to raise sufficient funds for current authorized projects. The tax is extended to December 31, 2012. If the tax extension is approved by the voters, the tax is extended until sufficient revenues are raised to fund the additional \$101.5 million in projects plus associated bond costs.
- 9 City of Clearwater; sales tax.** Expands the authorized uses of the Clearwater sales tax to include improvements to regional parks, bicycle trails, park land, open space, and walkways included in the city improvement plan adopted in December 2006. This includes all the projects included in the city's original 2008 request but ties the projects to a particular planning document.
- 10 City of Fergus Falls; sales and use tax authorized.** Allows the city to impose a local sales tax of one-half of one percent to finance a regional ice arena, as approved by their voters at the 2010 general election. The imposition and administration of the tax is subject to the provisions on Minnesota Statutes, section 297A.99, including the requirement for approval by the voters at a general election.
- The city may use up to \$6.6 million in revenues from the taxes to pay the costs of administration and to pay for the acquisition and betterment of a regional ice center facility, including associated bond costs. Allowed costs include furnishing and equipment costs as well as acquisition, design, and construction costs, and associated bond costs.
- The tax expires when the revenues collected are sufficient to pay for the project and retire any associated bonds and bond costs. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.
- 11 City of Hutchinson, sales tax authorized.** Allows the city to impose a local sales tax of one-half of one percent to pay for its wastewater treatment facility, as approved by their voters at the 2010 general election. Allows the city to impose a complementary flat \$20/vehicle tax on motor vehicles sold by dealers located in the city.
- Revenues from the taxes must be used to pay the costs of administration and to pay for the construction and renovation of the city's wastewater treatment facility, including construction, engineering, and associated bond costs. The taxes end at the earlier of (1) 18 years, or (2) when revenues raised are sufficient to pay for the project, including all associated bond costs. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.
- 12 City of Lanesboro; sales and use tax.** Allows the city to impose a 1/2 of one percent sales tax in the city of Lanesboro, as approved by the voters at the 2010 general election, for the indicated projects.
- Revenues from the taxes must be used to pay the costs of administration and to pay for the following projects:
- street and utility improvements along a number of specified streets,
 - street lighting on State Highways 250 and 16;

- wastewater treatment facility improvements;
- utility improvements to the Lanesboro High Hazard Dam; and
- improvements to the community center, library, and city hall.

Total improvements under this section are limited to \$800,000 and associated bond costs.

Allows the city to issue up to \$800,000 in bonds for the projects listed in subdivision 3, based on the voter approval of the sales tax imposition and the bonds are not included in any debt or levy limit on the city. The taxes end when revenues raised are sufficient to pay for the projects, including all associated bond costs. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

- 13 City of Marshall; sales and use tax.** Allows the city to impose a 1/2 of one percent sales tax in the city of Marshall for the indicated projects if approved by voters at a general election held in the next two year. The city is required to present separate ballot questions must be presented for the two authorized projects which are:

- new and existing facilities of the Minnesota Emergency Response and Industry Training Center and
- new facilities of the Southwest Minnesota Regional Amateur Sports Center.

Allows the city to issue up to \$17.29 million in bonds for the projects listed in subdivision 3, based on the voter approval of the sales tax imposition and the bonds are not included in any debt or levy limit on the city. The local sales tax ends at the earlier of (1) 15 years, or (2) when revenues raised are sufficient to pay for the projects, including all associated bond costs. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

- 14 City of Medford; sales and use tax.** Allows the city to impose a 1/2 of one percent sales tax in the city of Medford to repay Minnesota Public Facility Authority Loans, if approved by the voters at a general election. The loans were used to finance \$4.2 million of improvements to the city's water and wastewater systems. The local sales tax ends at the earlier of (1) 20 years, or (2) when revenues raised are sufficient to repay the loans, including interest. Because of the timing requirements for termination; any excess revenues will be deposited in the city general fund. The city may choose to end the taxes at an earlier date.

- 15 Study; use of zip codes in collecting local sales tax.** Requires the Department of Revenue to report by March 1, 2012, to the legislative committees with jurisdiction over local sales taxes on the use of zip codes in collecting the existing local sales taxes. The report must include:

- The current status of the Department's efforts to develop a system to calculate local sales taxes based on a street address plus the five-digit zip code for all zip codes that are shared by a local government with a local sales tax authority and an adjacent local government; including a timeline for finishing this work;
- Business compliance with the current law requiring them to impose the tax on the lowest combined rate in a zip code that crosses jurisdictions when the actual tax cannot be determined;
- The accuracy of current local sales tax revenue allocations when contiguous jurisdictions have separate local sales taxes but share a zip code; and
- Recommendations for administrative and statutory changes needed to improve the accurate collection and allocation of local sales taxes collected in this state.

Article 3: Property Taxes

Overview

Eliminates independent levy authorization for regional rail authorities, providing instead that all levies for regional rail authorities are made by the county, subject to the county levy limit, if any.

Provides consistent late property tax payment penalties across all classes of property.

Provides that the notice of property valuation must contain a specific notification when a property's classification has changed from one year to the next.

Provides a property tax exemption for attached machinery of an electric generation facility proposed to be built in the city of Fairmont.

Provides a reduced property tax classification (4c) for certain seasonal inns, located near a state trail.

1 Electric generation facility; personal property. Provides an exemption for attached machinery of an electric generation facility proposed to be built in the city of Fairmont. The facility must be designed for between 20 and 30 megawatts of power, run on natural gas, and be operated by a municipal power agency, among other requirements. Construction would be required to commence after December 31, 2011, and before January 1, 2015.

2 Valuation notice. Provides that the notice of property valuation sent out each spring must contain a specific notification when a property's classification has changed from what it was in the previous year. Also deletes a number of obsolete provisions in the valuation statement requirements.

Effective for assessment year 2012, taxes payable in 2013, and thereafter.

3 Class 4. Provides a reduced property tax classification (4c) for properties consisting of not more than 20 residential units that are used for less than 250 days a year, and that are located in a city or town with a population under 2,500 located outside the metropolitan area, provided that a state trail passes through the city or town. 4c classification provides for a class rate of 1.5 percent, and provides that the property pays the state seasonal recreational tax rate rather than the state commercial-industrial tax rate.

Also makes a number of technical changes to eliminate redundancies and generally clean-up that section of statutes.

4 Seasonal residential recreational tax capacity. Makes technical change in state tax rate statute related to technical changes in section 3.

5 Property tax late payment penalties. Makes two changes in the late payment penalties under the property tax:

- All classes of properties would be subject to the penalty schedule that now applies only to homestead and seasonal-recreational properties.
- The additional 4-percent penalty that applies to the second half payment (due October 15th) on November 1st would be reduced to 2 percent.

The table compares the penalties applicable to homestead and seasonal recreational properties, to all other property types, and under this section and the repealer in section 8.

Date	Homes and seasonal-rec.		Other properties		Proposed	
	1 st half	2 nd half	1 st half	2 nd half	1 st half	2 nd half
May 16	2%		4%		2%	

June 1	4%		8%		4%	
July 1	5%		9%		5%	
August 1	6%		10%		6%	
September 1	7%		11%		7%	
October 1	8%		12%		8%	
October 16	8%	2%	12%	4%	8%	2%
November 1	8%	6%	12%	8%	8%	4%
December 1	8%	8%	12%	12%	8%	6%
January 1	10%	10%	14%	14%	10%	8%

- 6 Taxation-regional rail authorities.** Provides that levies on behalf of a regional rail authority must be levied by the county board within the county's levy limit, if any. If the authority consists of more than one county, the levy must be apportioned between the member counties as provided by the joint resolution organizing the authority. Also eliminates the reverse referendum for regional rail authority levies, since the levies would just become part of the county's levy.
- 7 Regional rail authorities-security.** Specifies that for purposes of debt levies the county makes the levy on behalf of the regional rail authority. Specifies that only the county may pledge its faith and credit or taxing power for payment of a rail authority's bonds.
- 8 Repealer.** Repeals late property tax payment penalties for seasonal recreational property that is superseded by the general penalty changes in section 5.

Article 4: Tax Aids and Credits

Overview

Reduces LGA payments to cities over the next several years. Aid payments to first class cities are reduced and permanently eliminated over a four year period. Aid payments to suburbs are reduced and permanently eliminated in two years. Aid payments to all other cities remain at certified amounts for Pay2011, and are reduced to the lesser of its 2011 aid or paid 2010 aid for Payable 2012. The total appropriation for these cities is frozen at this 2012 amount for future years with the distribution of the aid determined by the existing formula beginning in 2013.

Provides for a reduction in county program aid and county market value credit amounts for 2011; under both programs payments are limited to the amount received in 2010, after reductions, or the amount certified for 2011, whichever is less.

Provides for a permanent reduction in county program aid of \$36 million per year in 2012 and thereafter.

Converts the market value homestead credit from a state-paid credit to a tax capacity reduction, which eliminates the credit as a state cost.

Permanently reduces payments in lieu of tax (PILT) payments per acre on natural resource lands to 85 percent of the allowed per acre payments in calendar year 2011.

Reduces the percent of rent constituting property taxes for renter property tax refund claims from 19 percent to 14.5 percent, effective for claims based on rent paid in 2010 and following years.

Repeals the political contribution refund.

Establishes a program of cooperation, consolidation, and service innovation grants to local governments proposing to work cooperatively, administered by the Department of Administration.

Provides for a permanent reduction in each unique taxing area's disparity reduction aid so that the aid is equal to 50 percent of the disparity reduction aid amount for taxes payable in 2011.

Repeals the Sustainable Forest Incentive Act (SFIA) program, effective July 1, 2011.

- 1 **Applicability; amount.** Reduces the per acre PILT payments for public hunting land to 85 percent of current levels. Currently most of these lands receive payments based on 0.75 percent of assessed value. This is reduced to 0.6375 percent. Effective beginning with aids payable in 2011.
- 2 **Goose management croplands.** Reduces the PILT payment on goose management croplands from 100 percent of the taxes assessed on comparable privately owned adjacent land to 85 percent of the taxes on comparable land. Effective beginning with aids payable in 2011.
- 3 **Political contribution refund.** Strikes a reference to the political contribution refund, which is repealed in section 33.
- 4 **Tax capacity.** Specifies that for residential homesteads and for the house, garage and one acre portion of agricultural homesteads, the tax capacity is to be computed as the property's market value times the class rate, minus the amount now computed as the market value homestead credit. (Note that this section also deletes some obsolete language.)
- 5 **Residential homestead market value tax capacity reduction.** Changes the homestead market value credit from a credit to a reduction in each homestead's tax capacity.
- 6 **Credit reimbursements.** Provides that the agricultural market value credit will continue to be a state-paid credit, but the homestead market value credit will no longer be a state-paid credit.

- 7 **Payment.** Provides that the agricultural market value credit will continue to be a state-paid credit, but the homestead market value credit will no longer be a state-paid credit.
- 8 **Computation of net property taxes.** Eliminates the market value homestead credit from the list of credits to be subtracted in going from a property's gross tax to its net tax.
- 9 **Disparity reduction aid.** Provides for a permanent reduction in certified disparity reduction aid in each unique taxing jurisdiction equal to 50 percent of the amount certified for taxes payable in 2011. Also deletes the procedure providing for recalculating disparity reduction aid amounts when there is a class rate reduction. Effective for taxes payable in 2012 and thereafter.
- 10 **Computation of tax capacity.** Provides that each property's tax capacity will be determined as prescribed in section 4. Also deletes obsolete language.
- 11 **Additional adjustment.** Increases the tax rate limit for disparity reduction aid from 90 percent to 105 percent. Disparity reduction aid is capped at the amount needed to reduce a unique taxing area's tax rate to the limit.
- 12 **Content of tax statements.** Eliminates the market value homestead credit from the list of credit subtractions on the tax statement.
- 13 **Political contribution refund; conforming changes.** Eliminates a reference to the political contribution refund, which is repealed in section 33.
- 14 **Political contribution refund; conforming changes.** Strikes a definition of the term "taxpayer" that is used in determination of the political contribution refund, which is repealed in section 33.
- 15 **Renter property tax refund; rent constituting property taxes.** Reduces the percent of rent constituting property taxes used in calculating the property tax refund for renters from 19 percent to 14.5 percent. Effective for refund claims based on rent paid in 2010 and following years.
- The percent of rent constituting property taxes was reduced from 19 percent to 15 percent for 2009 refunds only under the June 2009 unallotment. This reduction was subsequently enacted into law in Laws 2010, 1st Special Session chapter 1.
- 16 **Renter property tax refund; manufactured homes.** Reduces the percent of rent constituting property taxes for rent paid on the site on which a manufactured home or park trailer taxed as a manufactured home is located from 19 percent to 14.5 percent. Effective for refund claims based on rent paid in 2010 and following years.
- 17 **Alternative process for consolidation.** Allows an alternative way for counties to begin the process for consolidation by filing a unanimous resolution from each county board with the secretary of state. Currently they need to have a petition signed by 25 percent of the voters in the last general election from each county in order to start the process.
- 18 **First class city.** Defined based on 2008 population. Includes Minneapolis, St. Paul, and Duluth.
- 19 **Suburb.** Defined as all cities in the metropolitan area except cities of the first class. Includes split cities whose home county is one of the seven-county metropolitan counties, except New Prague.
- 20 **Aid payments in 2011 and 2012 (counties).** Limits the total county program aid (CPA) paid to each county in 2011 and 2012 to the lesser of its paid CPA in 2010, after reductions, or the amount it was certified to receive in Pay 2011. Total CPA payments in 2011 and 2012 are reduced from \$197 million to \$161 million.
- 21 **City formula aid.** Finishes the phaseout of LGA to first class cities begun in section 23. Those cities

get 25 percent of their base aid in Pay 2013 and zero in Pay 2014 and thereafter. Suburbs receive zero aid under the program.

- 22 City aid distribution.** Clarifies the starting point for calculating maximum aid increases and decreases to aid payments in Pay 2013 and later. States that the limits on increases and decreases do not apply to the phaseout of aid to first class cities and suburbs.
- 23 Aid payments in 2011 and 2012.** Sets the aid payments to different types of cities in each year. Defines "base aid" to be the lesser of (1) paid 2010 LGA or (2) certified 2011 LGA for each city. The aid paid to each type of city is as follows:
- In Pay 2011:
- first class cities as of 2008 would receive 75% of the base aid
 - Cities in the metropolitan area (except first class cities) would receive 50% of base aid
 - Remaining cities would receive their certified 2011 LGA
- In Pay 2012:
- First class cities as of 2008 would receive 50% of the base aid
 - Cities in the metropolitan area (except first class cities) would receive no aid
 - Remaining cities would receive 100% of base aid
- 24 Appropriation.** Phases down the LGA appropriation in Pay 2013 and 2014 and thereafter to reflect the remaining phaseout of LGA to first class cities. The appropriation of \$265,446,328 in Pay 2014 and thereafter is equal to the amount of aid going to cities other than first class cities and suburbs for aids payable in 2012.
- Sets the county program aid appropriation for pay 2013 and later years at the \$161 million level paid in 2012 (meaning that beginning in 2013 the aid will be distributed through the formula rather than simply the lesser of the 2010 amount or the certified 2011 amount).
- 25 Terms.** Eliminates a cross reference to the inflation factor for PILT payments that is repealed in section 33.
- 26 Types of land, payments.** Reduces the per acre rate for PILT payments beginning with aids payable in 2011 to 85 percent of the 2011 rate under current law. Eliminates any inflation in the future. Currently the inflation adjusted rates for payable 2011 are equal to:
- \$5.133/acre or 0.75 percent of assessed value for acquired land;
 - \$1.283/acre for county administered other natural resources land and land utilization project (LUP) land; and
 - \$0.642/acre on commissioner administered other natural resource land.
- The permanent rates set in the bill are 85 percent of the 2011 rates and are:
- \$4.363/acre or 0.6375 percent of assessed value for acquired land;
 - \$1.091/acre for county administered other natural resources land and land utilization project (LUP) land; and
 - \$0.545/acre on commissioner administered other natural resource land.
- 27 General distribution.** Adjusts the allocation of PILT payments to the county and the townships proportionately to reflect the 85 percent reduction in the total payments.
- 28 Lake Vermillion State Park and Soudan Mine State Park, annual payments.** Reduces the PILT payments for land in these two parks to 85 percent of the current level-from 1.5 percent of appraised

value to 1.275 percent of appraised value. Effective beginning with aids payable in 2011.

- 29 Administration of 2011 property tax refund claims; renters.** Directs the commissioner of revenue to recalculate claims for 2011 renter property tax refunds to reflect the reduction in the percent of rent constituting property taxes from 19 percent to 14.5 percent provided in sections 15 and 16. Requires the commissioner to notify claimants whose refunds are recalculated that the recalculation was mandated by action of the 2011 Legislature.

Background. By January 31, 2011, landlords are required to issue form CRP to renters for use in claiming the renter property tax refund. Form CRP reports on line 1 the dollar amount of rent paid, and on line 3 the rent multiplied by the 19 percent, which equals the percent constituting property taxes. Renters are instructed to use the amount on line 3 in filling out form M-1PR, the claim form for property tax refunds. The Department of Revenue would then recalculate the M-1PR claim as if the line 3 amount had been rent multiplied by 14.5 percent, rather than 19 percent.

- 30 Credit reductions and limitations; counties and cities.** Reduces county and city pay 2011 market values credit reimbursements to the same amount received in pay 2010, after reductions.
- 31 Property tax statement for taxes payable in 2012 only.** Provides that for purposes of the 2012 tax statement only, in depicting property taxes payable in 2011, the market value homestead credit will not be explicitly shown. Instead, the credit will be subtracted from the amount shown as the gross tax.
- 32 Cooperation, consolidation, innovation grants.** Allows the commissioner for administration to make grants of up to \$100,000 each to local governments to plan and implement service cooperation/consolidation or innovation with at least one other local government. Grants are on a first-come first served basis and the total appropriation is \$.....
- 33 Repealer.** Paragraphs (a) and (b) repeal the political contribution refund program, the section of the data practices law relating to political contribution refunds, and the section providing for refund receipts. Effective for contributions made after June 30, 2011.

Paragraph (c) repeals the market value credit reimbursement reductions for towns for pay 2011 and the inflation factor used to adjust PILT payments.

Paragraph (d) repeals the Sustainable Forest Incentive Act (SFIA) program effective July 1, 2011. Requires the commissioner of revenue to issue a document to each enrollee releasing the land from the covenant.

Article 5: Property Tax Freeze

Overview

Provides for a property tax levy freeze for taxes payable in 2012 only, for certain counties and cities. A county or city is exempt from this article if it does not receive LGA or CPA for payable 2012 or if it chooses to forgo those payments for payable 2012 and notifies the commissioner of revenue of that intent by October 1, 2011.

The limit is only a "freeze" for local governments subject to the provision if their Pay 2011 property tax level exceeded their Pay 2010 levy by 2 percent; all other cities and counties may increase their levy to 102% of their Pay 2010 levy amount.

The article allows adjustments for certain circumstances.

Limits requirements for levy increases for rural service districts, due to state local funding or match requirements, or increases in pension levies. Clarifies that state aids and grants related to those levies, including pension grants, cannot be reduced because of the levy freeze.

Prohibits a county or city from issuing new debt that first becomes payable in 2012 unless the debt was sold before June 1, 2011, the new debt does not increase the overall debt levy, or the debt is approved by the voters.

- 1 **Defining, local sales taxing authority.** The local governments affected by this article are counties and cities receiving county program aid (CPA) or local government aid (LGA) in Pay 2012. Allows a county or city to be exempted from the article if they choose to forgo aid in Pay 2012 and informs the commissioner of this intent by October 1, 2011.
- 2 **Levy limitation for taxes payable in 2012.** Imposes a levy limitation on qualifying counties and cities for Pay 2012 only. The limit is equal to the greater of 102 percent of its Pay 2010 levy or what it actually levied for Pay 2011.

Provides for the following adjustments to this levy limit:

- Debt obligations sold, and purchase agreements entered into, prior to June 1, 2011, and any other bonds authorized by a referendum;
- Annexations;
- The takeover of regional rail authority levies by counties required in article 3;
- New construction;
- To cover costs of disasters;
- Lost utility aid due to utility property valuation increases; or
- Increases approved by the voters.

- 3 **Prohibition against new debt.** Prohibits a local taxing authority from incurring new obligations for debt, or installment or lease purchase contracts after May 31, 2011, except for the following exceptions:
 - refunding bonds for bonds originally sold before June 1, 2011;
 - obligations that would not cause the local taxing authority's debt service levy to increase above payable 2011 amounts;
 - no tax levy is required in payable 2012 or 2013 to meet the new obligation, or
 - bonds are approved by the voters.

Defines when bonds are deemed sold to include bonds for projects where the local taxing authority has a signed contract or letter of understanding with the federal or state government entered into

before June 1, 2011, for the project to be funded with the new bonds, or it has a contract entered into with a builder or supplier prior to June 1, 2011, for the project to be funded by the bonds.

- 4** **Benefit ratio for rural service districts.** Freezes the benefit ratio for apportioning payable 2012 levies in a rural service district at the ratios used for apportioning the payable 2011 levies.
- 5** **Freeze on local match requirements.** Freezes all state requirements for local funding matches imposed on local taxing authorities at calendar year 2011 levies for calendar year 2012. Prohibits new local match and funding requirements for local taxing authorities during the two year freeze period. Prohibits reducing the eligibility or funding level to a local taxing authority subject to the levy freeze provided it met local match requirements in 2011.
- 6** **Pension liabilities.** Freezes levies for local police and fire pension liabilities at payable 2011 amounts for taxes payable in 2012. State that this freeze does not change a municipality's eligibility for police or fire aid.
- 7** **Savings clause.** States that this property tax levy freeze does not constitute impairment on making payments on bonds issued or installment or lease contracts entered into prior to June 1, 2011.