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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. 3

January 8, 2007

Authored by Marquart, Brown, Simpson, Masin, Lenczewski and others
The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to property taxation; replacing certain school district levies with state;
modifying computation of the credits; increasing property tax refunds for
homeowners and renters; increasing eligibility for senior deferral; increasing aids
to cities and counties; appropriating money; amending Minnesota Statutes 2006,
sections 123B.53, subdivision 5; 126C.01, by adding subdivisions; 126C.10,
subdivisions 13a, 29; 126C.17, subdivision 6; 126C.44; 273.1384, subdivisions 1,
2, by adding subdivisions; 290A.04, subdivisions 2, 2a; 290B.03, subdivision 1;
477A.013, subdivision 9; 477A.03, subdivisions 2a, 2b, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2006, section 123B.53, subdivision 5, is amended to read:

Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a
district equals the sum of the first tier equalized debt service levy and the second tier
equalized debt service levy.

(b) A district's first tier equalized debt service levy equals the district's first tier debt
service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for
the year before the year the levy is certified by the adjusted pupil units in the district for
the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$3,200~~ ... percent of the statewide adjusted net tax capacity equalizing factor.

(c) A district's second tier equalized debt service levy equals the district's second tier
debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for
the year before the year the levy is certified by the adjusted pupil units in the district for
the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$8,000~~ ... percent of the statewide adjusted net tax capacity equalizing factor.

2.1 Sec. 2. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision
2.2 to read:

2.3 Subd. 2a. **Adjusted net tax capacity equalizing factor.** The adjusted net tax
2.4 capacity equalizing factor equals the quotient derived by dividing the total adjusted net
2.5 tax capacity of all school districts in the state for the year before the year the levy is
2.6 certified by the total number of adjusted marginal cost pupil units in the state for the
2.7 current school year.

2.8 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

2.9 Sec. 3. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision
2.10 to read:

2.11 Subd. 3a. **Referendum market value equalizing factor.** The referendum market
2.12 value equalizing factor equals the quotient derived by dividing the total referendum market
2.13 value of all school districts in the state for the year before the year the levy is certified by
2.14 the total number of resident marginal cost pupil units in the state for the current school year.

2.15 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

2.16 Sec. 4. Minnesota Statutes 2006, section 126C.10, subdivision 13a, is amended to read:

2.17 ~~Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal~~
2.18 ~~year 2007 and later, a district may levy an amount not more than the product of its~~
2.19 ~~operating capital revenue for the fiscal year times the lesser of one or the ratio of its~~
2.20 ~~adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital ...~~
2.21 ~~percent of the statewide adjusted net tax capacity equalizing factor. The operating capital~~
2.22 ~~equalizing factor equals \$22,222 for fiscal year 2006, and \$10,700 for fiscal year 2007~~
2.23 ~~and later.~~

2.24 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

2.25 Sec. 5. Minnesota Statutes 2006, section 126C.10, subdivision 29, is amended to read:

2.26 Subd. 29. **Equity levy.** To obtain equity revenue for fiscal year 2005 and later, a
2.27 district may levy an amount not more than the product of its equity revenue, as calculated
2.28 in subdivision 24, paragraphs (a) through (..), for the fiscal year times the lesser of one or
2.29 the ratio of its referendum market value per resident marginal cost pupil unit to \$476,000
2.30 ... percent of the referendum market value equalizing factor.

2.31 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

3.1 Sec. 6. Minnesota Statutes 2006, section 126C.17, subdivision 6, is amended to read:

3.2 Subd. 6. **Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~
 3.3 A district's referendum equalization levy equals the sum of the first tier referendum
 3.4 equalization levy and the second tier referendum equalization levy.

3.5 (b) A district's first tier referendum equalization levy equals the district's first tier
 3.6 referendum equalization revenue times the lesser of one or the ratio of the district's
 3.7 referendum market value per resident marginal cost pupil unit to ~~\$476,000~~ ... percent of
 3.8 the referendum market value equalizing factor.

3.9 (c) A district's second tier referendum equalization levy equals the district's second
 3.10 tier referendum equalization revenue times the lesser of one or the ratio of the district's
 3.11 referendum market value per resident marginal cost pupil unit to ~~\$270,000~~ ... percent of
 3.12 the referendum market value equalizing factor.

3.13 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

3.14 Sec. 7. Minnesota Statutes 2006, section 126C.44, is amended to read:

3.15 **126C.44 SAFE SCHOOLS LEVY.**

3.16 Subdivision 1. Revenue. ~~Each district may make a levy on all taxable property~~
 3.17 ~~located within the district for the purposes specified in this section. The maximum amount~~
 3.18 ~~which may be levied for all costs under this section shall be equal to~~ Safe school revenue
 3.19 equals \$27 multiplied by the district's adjusted marginal cost pupil units for the school year.

3.20 Subd. 2. Levy. A school district's safe schools levy equals its safe school revenue
 3.21 times the lesser of one or the ratio of the district's adjusted net tax capacity per adjusted
 3.22 marginal cost pupil unit to ... percent of the adjusted net tax capacity equalizing factor.

3.23 Subd. 3. Aid. A school district's safe schools aid equals the difference between its
 3.24 safe schools revenue and its safe schools levy.

3.25 Subd. 4. Revenue uses. The proceeds of the levy must be reserved and used for
 3.26 directly funding the following purposes or for reimbursing the cities and counties who
 3.27 contract with the district for the following purposes: (1) to pay the costs incurred for the
 3.28 salaries, benefits, and transportation costs of peace officers and sheriffs for liaison in
 3.29 services in the district's schools; (2) to pay the costs for a drug abuse prevention program
 3.30 as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools;
 3.31 (3) to pay the costs for a gang resistance education training curriculum in the district's
 3.32 schools; (4) to pay the costs for security in the district's schools and on school property; or
 3.33 (5) to pay the costs for other crime prevention, drug abuse, student and staff safety, and
 3.34 violence prevention measures taken by the school district. For expenditures under clause

4.1 (1), the district must initially attempt to contract for services to be provided by peace
 4.2 officers or sheriffs with the police department of each city or the sheriff's department
 4.3 of the county within the district containing the school receiving the services. If a local
 4.4 police department or a county sheriff's department does not wish to provide the necessary
 4.5 services, the district may contract for these services with any other police or sheriff's
 4.6 department located entirely or partially within the school district's boundaries.

4.7 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

4.8 Sec. 8. Minnesota Statutes 2006, section 273.1384, subdivision 1, is amended to read:

4.9 Subdivision 1. **Residential homestead market value credit.** Each county auditor
 4.10 shall determine a homestead credit for each class 1a, 1b, and 2a homestead property within
 4.11 the county equal to 0.4 percent of the ~~first \$76,000 of~~ market value of the property up to
 4.12 the residential homestead market value credit valuation limit under subdivision 5 minus
 4.13 .09 percent of the market value in excess of ~~\$76,000~~ the limit. The credit amount may
 4.14 not be less than zero. In the case of an agricultural or resort homestead, only the market
 4.15 value of the house, garage, and immediately surrounding one acre of land is eligible in
 4.16 determining the property's homestead credit. In the case of a property that is classified as
 4.17 part homestead and part nonhomestead, (i) the credit shall apply only to the homestead
 4.18 portion of the property, but (ii) if a portion of a property is classified as nonhomestead
 4.19 solely because not all the owners occupy the property, not all the owners have qualifying
 4.20 relatives occupying the property, or solely because not all the spouses of owners occupy
 4.21 the property, the credit amount shall be initially computed as if that nonhomestead portion
 4.22 were also in the homestead class and then prorated to the owner-occupant's percentage
 4.23 of ownership. For the purpose of this section, when an owner-occupant's spouse does
 4.24 not occupy the property, the percentage of ownership for the owner-occupant spouse is
 4.25 one-half of the couple's ownership percentage.

4.26 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 4.27 thereafter.

4.28 Sec. 9. Minnesota Statutes 2006, section 273.1384, subdivision 2, is amended to read:

4.29 Subd. 2. **Agricultural homestead market value credit.** Property classified
 4.30 as class 2a agricultural homestead is eligible for an agricultural credit. The credit is
 4.31 computed using the property's agricultural credit market value, defined for this purpose
 4.32 as the property's class 2a market value excluding the market value of the house, garage,
 4.33 and immediately surrounding one acre of land. The credit is equal to 0.3 percent ~~of the~~

5.1 ~~first \$115,000~~ of the property's agricultural credit market value up to the agricultural
 5.2 homestead market value credit valuation limit under subdivision 6 minus .05 percent of
 5.3 the property's agricultural credit market value in excess of ~~\$115,000~~ the limit, subject to a
 5.4 maximum reduction of \$115. In the case of property that is classified in part as class 2a
 5.5 agricultural homestead and in part as class 2b nonhomestead farm land solely because not
 5.6 all the owners occupy or farm the property, not all the owners have qualifying relatives
 5.7 occupying or farming the property, or solely because not all the spouses of owners occupy
 5.8 the property, the credit must be initially computed as if that nonhomestead agricultural
 5.9 land was also classified as class 2a agricultural homestead and then prorated to the
 5.10 owner-occupant's percentage of ownership.

5.11 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 5.12 thereafter.

5.13 Sec. 10. Minnesota Statutes 2006, section 273.1384, is amended by adding a
 5.14 subdivision to read:

5.15 **Subd. 5. Residential homestead market value credit valuation limit.** (a)
 5.16 Beginning with assessment year 2007, the commissioner of revenue shall annually
 5.17 certify the residential homestead market value credit valuation limit as the product of (i)
 5.18 \$76,000, and (ii) the ratio of the statewide average taxable market value of a residential
 5.19 homestead in the preceding assessment year to the statewide average taxable market
 5.20 value of a residential homestead for assessment year 2005. The limit must be rounded to
 5.21 the nearest \$1,000.

5.22 (b) The commissioner shall certify the limit by January 2 of each assessment year,
 5.23 except that for assessment year 2007, the commissioner shall certify the limit by June
 5.24 1, 2007.

5.25 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 5.26 thereafter.

5.27 Sec. 11. Minnesota Statutes 2006, section 273.1384, is amended by adding a
 5.28 subdivision to read:

5.29 **Subd. 6. Agricultural homestead market value credit valuation limit.** (a)
 5.30 Beginning with assessment year 2007, the commissioner of revenue shall annually certify
 5.31 the agricultural homestead market value credit valuation limit as the product of (i)
 5.32 \$115,000, and (ii) the ratio of the statewide average taxable market value of agricultural
 5.33 property per acre of deeded farm land in the preceding assessment year to the statewide

6.1 average taxable market value of agricultural property per acre of deeded farm land for
 6.2 assessment year 2005. The limit must be rounded to the nearest \$1,000.

6.3 (b) For the purposes of this subdivision, "agricultural property" means all class 2
 6.4 property under section 273.13, subdivision 23, except (1) timberland, (2) a landing area
 6.5 or public access area of a privately owned public use airport, and (3) property consisting
 6.6 of the house, garage, and immediately surrounding one acre of land of an agricultural
 6.7 homestead.

6.8 (c) The commissioner shall certify the limit by January 2 of each assessment year,
 6.9 except that for assessment year 2007 the commissioner shall certify the limit by June
 6.10 1, 2007.

6.11 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 6.12 thereafter.

6.13 Sec. 12. Minnesota Statutes 2006, section 290A.04, subdivision 2, is amended to read:

6.14 Subd. 2. **Homeowners.** (a) A claimant whose property taxes payable are in excess
 6.15 of the percentage of the household income stated below shall pay an amount equal to
 6.16 the percent of income shown for the appropriate household income level along with the
 6.17 percent to be paid by the claimant of the remaining amount of property taxes payable.
 6.18 The state refund equals the amount of property taxes payable that remain, up to the state
 6.19 refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,189	1.0 percent	15 percent	\$1,450
<u>\$0 to \$1,519</u>			<u>\$1,850</u>
1,190 to 2,379	1.1 percent	15 percent	\$1,450
<u>1,520 to 3,029</u>			<u>\$1,850</u>
2,380 to 3,589	1.2 percent	15 percent	\$1,410
<u>3,030 to 4,579</u>			<u>\$1,790</u>
3,590 to 4,789	1.3 percent	20 percent	\$1,410
<u>4,580 to 6,119</u>			<u>\$1,790</u>
4,790 to 5,979	1.4 percent	20 percent	\$1,360
<u>6,120 to 7,639</u>			<u>\$1,730</u>
5,980 to 8,369	1.5 percent	20 percent	\$1,360
<u>7,640 to 10,679</u>			<u>\$1,730</u>
8,370 to 9,559	1.6 percent	25 percent	\$1,310
<u>10,680 to 12,209</u>			<u>\$1,670</u>
9,560 to 10,759	1.7 percent	25 percent	\$1,310
<u>12,210 to 13,739</u>			<u>\$1,670</u>
10,760 to 11,949	1.8 percent	25 percent	\$1,260

7.1	<u>13,740 to 15,259</u>			<u>\$1,600</u>
7.2	11,950 to 13,139	1.9 percent	30 percent	\$1,260
7.3	<u>15,260 to 16,779</u>			<u>\$1,600</u>
7.4	13,140 to 14,349	2.0 percent	30 percent	\$1,210
7.5	<u>16,780 to 18,319</u>			<u>\$1,540</u>
7.6	14,350 to 16,739	2.1 percent	30 percent	\$1,210
7.7	<u>18,320 to 21,379</u>			<u>\$1,540</u>
7.8	16,740 to 17,929	2.2 percent	35 percent	\$1,160
7.9	<u>21,380 to 22,899</u>			<u>\$1,480</u>
7.10	17,930 to 19,119	2.3 percent	35 percent	\$1,160
7.11	<u>22,900 to 24,409</u>			<u>\$1,480</u>
7.12	19,120 to 20,319	2.4 percent	35 percent	\$1,110
7.13	<u>24,410 to 25,949</u>			<u>\$1,410</u>
7.14	20,320 to 25,099	2.5 percent	40 percent	\$1,110
7.15	<u>25,950 to 32,049</u>			<u>\$1,410</u>
7.16	25,100 to 28,679	2.6 percent	40 percent	\$1,070
7.17	<u>32,050 to 36,629</u>			<u>\$1,360</u>
7.18	28,680 to 35,849	2.7 percent	40 percent	\$1,070
7.19	<u>36,630 to 45,779</u>			<u>\$1,360</u>
7.20	35,850 to 41,819	2.8 percent	45 percent	\$ 970
7.21	<u>45,780 to 53,409</u>			<u>\$1,230</u>
7.22	41,820 to 47,799	3.0 percent	45 percent	\$ 970
7.23	<u>53,410 to 61,049</u>			<u>\$1,230</u>
7.24	47,800 to 53,779	3.2 percent	45 percent	\$ 870
7.25	<u>61,050 to 68,679</u>			<u>\$1,110</u>
7.26	53,780 to 59,749	3.5 percent	50 percent	\$ 780
7.27	<u>68,680 to 76,309</u>			<u>\$990</u>
7.28	59,750 to 65,729	4.0 percent	50 percent	\$ 680
7.29	<u>76,310 to 83,939</u>			<u>\$870</u>
7.30	65,730 to 69,319	4.0 percent	50 percent	\$ 580
7.31	<u>83,940 to 88,529</u>			<u>\$740</u>
7.32	69,320 to 71,719	4.0 percent	50 percent	\$ 480
7.33	<u>88,530 to 91,589</u>			<u>\$610</u>
7.34	71,720 to 74,619	4.0 percent	50 percent	\$ 390
7.35	<u>91,590 to 95,299</u>			<u>\$500</u>
7.36	74,620 to 77,519	4.0 percent	50 percent	\$ 290
7.37	<u>95,300 to 98,999</u>			<u>\$370</u>

7.38 (b) The payment made to a claimant shall be the amount of the state refund
7.39 calculated under this subdivision. No payment is allowed if the claimant's household
7.40 income is ~~\$77,520~~ \$99,000 or more.

7.41 **EFFECTIVE DATE.** This section is effective beginning for claims filed based on
7.42 property taxes payable in 2008.

8.1 Sec. 13. Minnesota Statutes 2006, section 290A.04, subdivision 2a, is amended to read:

8.2 Subd. 2a. **Renters.** (a) A claimant whose rent constituting property taxes exceeds
 8.3 the percentage of the household income stated below must pay an amount equal to the
 8.4 percent of income shown for the appropriate household income level along with the
 8.5 percent to be paid by the claimant of the remaining amount of rent constituting property
 8.6 taxes. The state refund equals the amount of rent constituting property taxes that remain,
 8.7 up to the maximum state refund amount shown below.

8.8			Percent Paid by	Maximum State
8.9	Household Income	Percent of Income	Claimant	Refund
8.10	\$0 to 3,589	1.0 percent	5 percent	\$1,190
8.11	<u>\$0 to 4,579</u>			<u>\$1,500</u>
8.12	3,590 to 4,779	1.0 percent	10 percent	\$1,190
8.13	<u>4,580 to 6,099</u>			<u>\$1,500</u>
8.14	4,780 to 5,969	1.1 percent	10 percent	\$1,190
8.15	<u>6,100 to 7,619</u>			<u>\$1,500</u>
8.16	5,970 to 8,369	1.2 percent	10 percent	\$1,190
8.17	<u>7,620 to 10,669</u>			<u>\$1,500</u>
8.18	8,370 to 10,759	1.3 percent	15 percent	\$1,190
8.19	<u>10,670 to 13,729</u>			<u>\$1,500</u>
8.20	10,760 to 11,949	1.4 percent	15 percent	\$1,190
8.21	<u>13,730 to 15,239</u>			<u>\$1,500</u>
8.22	11,950 to 13,139	1.4 percent	20 percent	\$1,190
8.23	<u>15,240 to 16,769</u>			<u>\$1,500</u>
8.24	13,140 to 15,539	1.5 percent	20 percent	\$1,190
8.25	<u>16,770 to 19,829</u>			<u>\$1,500</u>
8.26	15,540 to 16,729	1.6 percent	20 percent	\$1,190
8.27	<u>19,830 to 21,349</u>			<u>\$1,500</u>
8.28	16,730 to 17,919	1.7 percent	25 percent	\$1,190
8.29	<u>21,350 to 22,859</u>			<u>\$1,500</u>
8.30	17,920 to 20,319	1.8 percent	25 percent	\$1,190
8.31	<u>22,860 to 25,929</u>			<u>\$1,500</u>
8.32	20,320 to 21,509	1.9 percent	30 percent	\$1,190
8.33	<u>25,930 to 27,439</u>			<u>\$1,500</u>
8.34	21,510 to 22,699	2.0 percent	30 percent	\$1,190
8.35	<u>27,440 to 28,959</u>			<u>\$1,500</u>
8.36	22,700 to 23,899	2.2 percent	30 percent	\$1,190
8.37	<u>28,960 to 30,499</u>			<u>\$1,500</u>
8.38	23,900 to 25,089	2.4 percent	30 percent	\$1,190
8.39	<u>30,500 to 32,009</u>			<u>\$1,500</u>
8.40	25,090 to 26,289	2.6 percent	35 percent	\$1,190
8.41	<u>32,010 to 33,539</u>			<u>\$1,500</u>
8.42	26,290 to 27,489	2.7 percent	35 percent	\$1,190

9.1	<u>33,540 to 35,079</u>			<u>\$1,500</u>
9.2	27,490 to 28,679	2.8 percent	35 percent	\$1,190
9.3	<u>35,080 to 36,589</u>			<u>\$1,500</u>
9.4	28,680 to 29,869	2.9 percent	40 percent	\$1,190
9.5	<u>36,590 to 38,109</u>			<u>\$1,500</u>
9.6	29,870 to 31,079	3.0 percent	40 percent	\$1,190
9.7	<u>38,110 to 39,649</u>			<u>\$1,500</u>
9.8	31,080 to 32,269	3.1 percent	40 percent	\$1,190
9.9	<u>39,650 to 41,169</u>			<u>\$1,500</u>
9.10	32,270 to 33,459	3.2 percent	40 percent	\$1,190
9.11	<u>41,170 to 42,689</u>			<u>\$1,500</u>
9.12	33,460 to 34,649	3.3 percent	45 percent	\$1,080
9.13	<u>42,690 to 44,209</u>			<u>\$1,370</u>
9.14	34,650 to 35,849	3.4 percent	45 percent	\$ 960
9.15	<u>44,210 to 45,739</u>			<u>\$1,220</u>
9.16	35,850 to 37,049	3.5 percent	45 percent	\$ 830
9.17	<u>45,740 to 47,279</u>			<u>\$1,050</u>
9.18	37,050 to 38,239	3.5 percent	50 percent	\$ 720
9.19	<u>47,280 to 48,789</u>			<u>\$910</u>
9.20	38,240 to 39,439	3.5 percent	50 percent	\$ 600
9.21	<u>48,790 to 50,319</u>			<u>\$760</u>
9.22	38,440 to 40,629	3.5 percent	50 percent	\$ 360
9.23	<u>50,320 to 51,839</u>			<u>\$450</u>
9.24	40,630 to 41,819	3.5 percent	50 percent	\$ 120
9.25	<u>51,840 to 53,359</u>			<u>\$150</u>

9.26 (b) The payment made to a claimant is the amount of the state refund calculated
 9.27 under this subdivision. No payment is allowed if the claimant's household income is
 9.28 ~~\$41,820~~ \$53,360 or more.

9.29 **EFFECTIVE DATE.** This section is effective beginning for claims filed for rent
 9.30 paid after December 31, 2006.

9.31 Sec. 14. Minnesota Statutes 2006, section 290B.03, subdivision 1, is amended to read:

9.32 Subdivision 1. **Program qualifications.** The qualifications for the senior citizens'
 9.33 property tax deferral program are as follows:

9.34 (1) the property must be owned and occupied as a homestead by a person 65 years of
 9.35 age or older. In the case of a married couple, ~~both~~ one of the spouses must be at least 65
 9.36 years old at the time the first property tax deferral is granted, regardless of whether the
 9.37 property is titled in the name of one spouse or both spouses, or titled in another way that
 9.38 permits the property to have homestead status;

10.1 (2) the total household income of the qualifying homeowners, as defined in section
 10.2 290A.03, subdivision 5, for the calendar year preceding the year of the initial application
 10.3 may not exceed ~~\$60,000~~ the maximum income under section 290A.04, subdivision 2,
 10.4 paragraph (b), permitting a claimant to be eligible for a property tax refund for property
 10.5 taxes payable in the calendar year;

10.6 (3) the homestead must have been owned and occupied as the homestead of at
 10.7 least one of the qualifying homeowners for at least 15 years prior to the year the initial
 10.8 application is filed;

10.9 (4) there are no state or federal tax liens or judgment liens on the homesteaded
 10.10 property;

10.11 (5) there are no mortgages or other liens on the property that secure future advances,
 10.12 except for those subject to credit limits that result in compliance with clause (6); and

10.13 (6) the total unpaid balances of debts secured by mortgages and other liens on the
 10.14 property, including unpaid and delinquent special assessments and interest and any
 10.15 delinquent property taxes, penalties, and interest, but not including property taxes payable
 10.16 during the year, does not exceed 75 percent of the assessor's estimated market value for
 10.17 the year.

10.18 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
 10.19 thereafter, for taxes payable in 2008 and thereafter.

10.20 Sec. 15. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

10.21 Subd. 9. **City aid distribution.** (a) In calendar year 2002 and thereafter, each
 10.22 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
 10.23 subdivision 8, and (2) its city aid base.

10.24 (b) For aids payable in ~~2005 and thereafter~~ 2008, the total aid for any city shall
 10.25 not exceed the sum of (1) ~~ten ...~~ percent of the city's net levy for the year prior to the
 10.26 aid distribution plus (2) its total aid in the previous year. For aids payable in 2009 and
 10.27 thereafter, the total aid for any city must not exceed the sum of (1) ... percent of the city's
 10.28 net levy for the year prior to the aid distribution plus (2) its total aid in the previous year.

10.29 For aids payable in 2005 and thereafter, the total aid for any city with a population of
 10.30 2,500 or more may not decrease from its total aid under this section in the previous year by
 10.31 an amount greater than ten percent of its net levy in the year prior to the aid distribution.

10.32 (c) For aids payable in 2004 only, the total aid for a city with a population less
 10.33 than 2,500 may not be less than the amount it was certified to receive in 2003 minus the
 10.34 greater of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special
 10.35 Session chapter 21, article 5, or (2) five percent of its 2003 aid amount. For aids payable

11.1 in 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be
 11.2 less than the amount it was certified to receive in the previous year minus five percent
 11.3 of its 2003 certified aid amount.

11.4 (d) If a city's net tax capacity used in calculating aid under this section has decreased
 11.5 in any year by more than 25 percent from its net tax capacity in the previous year due to
 11.6 property becoming tax-exempt Indian land, the city's maximum allowed aid increase
 11.7 under paragraph (b) shall be increased by an amount equal to (1) the city's tax rate in the
 11.8 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease
 11.9 resulting from the property becoming tax exempt.

11.10 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2008.

11.11 Sec. 16. Minnesota Statutes 2006, section 477A.03, subdivision 2a, is amended to read:

11.12 Subd. 2a. **Cities.** ~~For aids payable in 2004, the total aids paid under section~~
 11.13 ~~477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the~~
 11.14 ~~total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For~~
 11.15 ~~aids payable in 2006 and thereafter 2007, the total aids paid under section 477A.013,~~
 11.16 ~~subdivision 9, is are limited to \$485,052,000. For aids payable in 2008, the total aids paid~~
 11.17 ~~under section 477A.013, subdivision 9, are limited to \$..... For aids payable in 2009~~
 11.18 ~~and thereafter, the total aids payable under section 477A.013, subdivision 9, are limited~~
 11.19 ~~to the amount paid under that subdivision in the previous year, adjusted for inflation as~~
 11.20 ~~provided in subdivision 5.~~

11.21 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2008.

11.22 Sec. 17. Minnesota Statutes 2006, section 477A.03, subdivision 2b, is amended to read:

11.23 Subd. 2b. **Counties.** (a) For aids payable in calendar year ~~2005 and thereafter~~
 11.24 ~~2008~~, the total aids paid to counties under section 477A.0124, subdivision 3, are limited
 11.25 ~~to \$100,500,000 \$..... For aids payable in 2009 and thereafter, the total aids paid to~~
 11.26 ~~counties under section 477A.0124, subdivision 3, are limited to the amount paid under~~
 11.27 ~~that subdivision in the previous year, adjusted for inflation as provided in subdivision 5.~~
 11.28 Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make
 11.29 reimbursements to the commissioner of finance for payments made under section 611.27.
 11.30 ~~For calendar year 2004, the amount shall be in addition to the payments authorized~~
 11.31 ~~under section 477A.0124, subdivision 1. For calendar year 2005 2008 and subsequent~~
 11.32 ~~years, the amount shall be deducted from the appropriation under this paragraph. The~~
 11.33 ~~reimbursements shall be to defray the additional costs associated with court-ordered~~

12.1 counsel under section 611.27. Any retained amounts not used for reimbursement in a year
 12.2 shall be included in the next distribution of county need aid that is certified to the county
 12.3 auditors for the purpose of property tax reduction for the next taxes payable year.

12.4 (b) For aids payable in ~~2005~~ 2008, the total aids under section 477A.0124,
 12.5 subdivision 4, are limited to ~~\$105,000,000~~ \$...... For aids payable in ~~2006~~ 2009 and
 12.6 thereafter, the total aid under section 477A.0124, subdivision 4, is limited to ~~\$105,132,923~~
 12.7 \$...... The commissioner of finance shall bill the commissioner of revenue for the cost of
 12.8 preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in
 12.9 fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner
 12.10 of revenue for the cost of preparation of local impact notes for school districts as
 12.11 required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The
 12.12 commissioner of revenue shall deduct the amounts billed under this paragraph from
 12.13 the appropriation under this paragraph. The amounts deducted are appropriated to the
 12.14 commissioner of finance and the commissioner of education for the preparation of local
 12.15 impact notes.

12.16 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2008.

12.17 Sec. 18. Minnesota Statutes 2006, section 477A.03, is amended by adding a
 12.18 subdivision to read:

12.19 Subd. 5. **Inflation adjustment.** In 2009 and thereafter, the amount paid under each
 12.20 subdivision adjusted for inflation is increased by an amount equal to:

12.21 (1) the amount certified to be paid under that subdivision in the previous year
 12.22 multiplied by

12.23 (2) the percentage increase in the implicit price deflator for state and local
 12.24 government consumption expenditures and gross investment, prepared by the Bureau of
 12.25 Economic Analysis of the United States Department of Commerce for the 12-month
 12.26 period ending March 31 of the previous year. The percentage increase used in this
 12.27 subdivision must be no less than 2.5 percent and no greater than 5.0 percent.

12.28 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2008.