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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE NO. **962**

February 15, 2007

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; converting the state general tax on commercial and industrial
1.3 properties to a site value tax; authorizing the commissioner of revenue to
1.4 promulgate standards for determining site values and to reallocate the portion of
1.5 estimated market value attributable to land; amending Minnesota Statutes 2006,
1.6 sections 270C.85, subdivision 2; 270C.88, subdivision 1; 275.025, subdivision 4,
1.7 by adding a subdivision.

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

1.9 Section 1. Minnesota Statutes 2006, section 270C.85, subdivision 2, is amended to read:

1.10 Subd. 2. **Powers and duties.** The commissioner shall have and exercise the
1.11 following powers and duties in administering the property tax laws.

1.12 (a) Confer with, advise, and give the necessary instructions and directions to local
1.13 assessors and local boards of review throughout the state as to their duties under the
1.14 laws of the state.

1.15 (b) Direct proceedings, actions, and prosecutions to be instituted to enforce the
1.16 laws relating to the liability and punishment of public officers and officers and agents of
1.17 corporations for failure or negligence to comply with the provisions of the property tax
1.18 laws, and cause complaints to be made against local assessors, members of boards of
1.19 equalization, members of boards of review, or any other assessing or taxing officer, to the
1.20 proper authority, for their removal from office for misconduct or negligence of duty.

1.21 (c) Require county attorneys to assist in the commencement of prosecutions in
1.22 actions or proceedings for removal, forfeiture, and punishment, for violation of the
1.23 property tax laws in their respective districts or counties.

2.1 (d) Require town, city, county, and other public officers to report information as to
 2.2 the assessment of property, and such other information as may be needful in the work of
 2.3 the commissioner, in such form as the commissioner may prescribe.

2.4 (e) Transmit to the governor, on or before the third Monday in December of each
 2.5 even-numbered year, and to each member of the legislature, on or before November
 2.6 15 of each even-numbered year, the report of the department for the preceding years,
 2.7 showing all the taxable property subject to the property tax laws and the value of the
 2.8 same, in tabulated form.

2.9 (f) Inquire into the methods of assessment and taxation and ascertain whether the
 2.10 assessors faithfully discharge their duties.

2.11 (g) Reallocate the estimated market value of a parcel between the amount attributable
 2.12 to land and improvements for properties subject to taxation under section 275.025,
 2.13 subdivision 4, paragraph (b), under standards promulgated by the commissioner.

2.14 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2010.

2.15 Sec. 2. Minnesota Statutes 2006, section 270C.88, subdivision 1, is amended to read:

2.16 Subdivision 1. **In writing.** Any order or decision of the commissioner increasing
 2.17 or decreasing any tax, assessment, or other obligation by a sum exceeding \$1,000 on
 2.18 real or personal property, or the net tax capacity thereof, or other obligation relating
 2.19 thereto, the result of which is to increase or decrease the total amount payable under the
 2.20 property tax laws, including penalties and interest, by a sum exceeding \$1,000, must bear
 2.21 the written signature or facsimile signature of the commissioner or the commissioner's
 2.22 delegate. Written approval of the commissioner or a delegate shall not be required with
 2.23 respect to orders reducing net tax capacity of property by reason of its classification as
 2.24 a homestead. The provisions of this subdivision do not apply to orders issued under the
 2.25 authority in section 270C.85, subdivision 2, paragraph (g).

2.26 Sec. 3. Minnesota Statutes 2006, section 275.025, is amended by adding a subdivision
 2.27 to read:

2.28 Subd. 2a. **Commercial-industrial land value.** For the purposes of this section,
 2.29 "commercial-industrial land value" means the estimated market value of the land value
 2.30 of all taxable property classified as class 3 or class 5 under section 273.13, excluding
 2.31 property described in section 473.625. County commercial-industrial land value amounts
 2.32 are not adjusted for the captured net tax capacity of a tax increment financing district
 2.33 under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted

3.1 from a local government's total net tax capacity under section 273.425, or fiscal disparities
 3.2 contribution and distribution net tax capacities under chapter 276A or 473F.

3.3 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2010.

3.4 Sec. 4. Minnesota Statutes 2006, section 275.025, subdivision 4, is amended to read:

3.5 Subd. 4. **Apportionment and levy of state general tax.** (a) Ninety-five
 3.6 percent of the state general tax must be levied by applying a uniform rate to all (1)
 3.7 commercial-industrial tax capacity and to commercial-industrial land value as provided in
 3.8 paragraph (b) and (2) five percent of the state general tax must be levied by applying a
 3.9 uniform rate to all seasonal residential recreational tax capacity. On or before October 1
 3.10 each year, the commissioner of revenue shall certify the preliminary state general levy
 3.11 rates to each county auditor that must be used to prepare the notices of proposed property
 3.12 taxes for taxes payable in the following year. By January 1 of each year, the commissioner
 3.13 shall certify the final state general levy rate to each county auditor that shall be used
 3.14 in spreading taxes.

3.15 (b) For taxes payable in 2010 and later years, the portion of the state general tax
 3.16 levied on commercial-industrial tax capacity and commercial-industrial land value must
 3.17 be divided into a commercial-industrial tax capacity share and a commercial-industrial
 3.18 land value share as follows. For taxes payable in 2010, 90 percent is apportioned to
 3.19 regular commercial-industrial tax capacity and ten percent to commercial-industrial
 3.20 land value. In each succeeding year, an additional ten percentage points of the
 3.21 commercial-industrial share is shifted from commercial-industrial tax capacity to
 3.22 commercial-industrial land value. For taxes payable in 2019 and thereafter, the full amount
 3.23 of the commercial-industrial share is levied upon commercial-industrial land value.

3.24 (c) For each of the three component shares of the state general levy determined in
 3.25 paragraphs (a) and (b), the tax must be distributed among the counties by applying a
 3.26 uniform statewide rate to each county's tax base for the relevant class.

3.27 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2010.

3.28 Sec. 5. **COMMISSIONER TO PROMULGATE STANDARDS.**

3.29 On or before July 1, 2008, the commissioner of revenue shall promulgate standards
 3.30 and methods to be used in determining the site value of properties subject to taxation under
 3.31 Minnesota Statutes, section 275.025, subdivision 4, paragraph (b). Before promulgating
 3.32 the standards and methods, the commissioner shall seek advice and comments from
 3.33 assessors and other experts in valuing land. Promulgation of the standards and methods

4.1 is not subject to the administrative procedures act and the standards and methods are
4.2 not a rule under the administrative procedures act, Minnesota Statutes, chapter 14. The
4.3 commissioner shall provide assistance to assessors in valuing land for purposes of
4.4 Minnesota Statutes, section 275.025, upon request.

4.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.