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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. 1083

February 19, 2007

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

1.1 A bill for an act
 1.2 relating to education finance; modifying the tax base used to calculate debt
 1.3 service levies for maximum effort capital loan school districts; amending
 1.4 Minnesota Statutes 2006, sections 123B.53, subdivision 5; 126C.01, by adding a
 1.5 subdivision; 127A.48, by adding a subdivision; 273.11, subdivision 1a.

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

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

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

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

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

1.16 (2) \$3,200.

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

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

1.22 (2) \$8,000.

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

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

2.3 Subd. 2a. **Debt service net tax capacity.** A school district's debt service net tax
2.4 capacity means the net tax capacity of the taxable property of the district as adjusted by
2.5 the commissioner of revenue under section 127A.48, subdivision 17. The debt service net
2.6 tax capacity for any given calendar year must be used to compute the debt service levy
2.7 limitations for levies certified in the succeeding calendar year and aid for the school year
2.8 beginning in the second succeeding calendar year.

2.9 **EFFECTIVE DATE.** This section is effective the day following final enactment for
2.10 computing taxes payable in 2008.

2.11 Sec. 3. Minnesota Statutes 2006, section 127A.48, is amended by adding a subdivision
2.12 to read:

2.13 Subd. 17. **Debt service net tax capacity.** The debt service net tax capacity for each
2.14 district, other than a district participating in the maximum effort capital loan program,
2.15 equals the district's net tax capacity. For a maximum effort capital loan district, the
2.16 commissioner of revenue must recompute the amounts in this section using an alternative
2.17 sales ratio comparing the sales price to the estimated market value of the property.

2.18 **EFFECTIVE DATE.** This section is effective the day following final enactment for
2.19 computing taxes payable in 2008.

2.20 Sec. 4. Minnesota Statutes 2006, section 273.11, subdivision 1a, is amended to read:

2.21 Subd. 1a. **Limited market value.** In the case of all property classified as
2.22 agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber,
2.23 or noncommercial seasonal residential recreational, the assessor shall compare the value
2.24 with the taxable portion of the value determined in the preceding assessment.

2.25 For assessment years 2004, 2005, and 2006, the amount of the increase shall not
2.26 exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25
2.27 percent of the difference between the current assessment and the preceding assessment.

2.28 For assessment year 2007, the amount of the increase shall not exceed the greater of
2.29 (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference
2.30 between the current assessment and the preceding assessment.

2.31 For assessment year 2008, the amount of the increase shall not exceed the greater of
2.32 (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference
2.33 between the current assessment and the preceding assessment.

3.1 This limitation shall not apply to increases in value due to improvements. For
3.2 purposes of this subdivision, the term "assessment" means the value prior to any exclusion
3.3 under subdivision 16.

3.4 The provisions of this subdivision shall be in effect through assessment year 2008
3.5 as provided in this subdivision.

3.6 For purposes of the assessment/sales ratio study conducted under section 127A.48,
3.7 and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A,
3.8 126C, 127A, and 477A, market values and net tax capacities determined under this
3.9 subdivision and subdivision 16, shall be used, except for maximum effort capital loan
3.10 school districts, for which the computation of state aids under section 123B.53 must be
3.11 made excluding the effects of this subdivision.

3.12 **EFFECTIVE DATE.** This section is effective the day following final enactment for
3.13 computing taxes payable in 2008.