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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-FIFTH  
SESSION

**HOUSE FILE No. 1129**

February 19, 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; property; modifying the senior citizen's property tax deferral  
1.3 program; amending Minnesota Statutes 2006, sections 290B.03, subdivision 1;  
1.4 290B.04, subdivisions 2, 3, 4; 290B.05, subdivision 1; 290B.07.

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

1.6 Section 1. Minnesota Statutes 2006, section 290B.03, subdivision 1, is amended to read:

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

1.9 (1) the property must be owned and occupied as a homestead by a person 65 years of  
1.10 age or older. In the case of a married couple, ~~both~~ only one of the spouses must be at least  
1.11 65 years old at the time the first property tax deferral is granted, regardless of whether the  
1.12 property is titled in the name of one spouse or both spouses, or titled in another way that  
1.13 permits the property to have homestead status;

1.14 (2) the total household income of the qualifying ~~homeowners~~ homeowner, or in the  
1.15 case of a married couple, the qualifying homeowner and spouse, as defined in section  
1.16 290A.03, subdivision 5, for the calendar year preceding the year of the initial application  
1.17 may not exceed ~~\$60,000~~ the maximum household income under section 290A.04,  
1.18 subdivision 2, for the calendar year preceding the year of the initial application;

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

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

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

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

2.8 **EFFECTIVE DATE.** This section is effective for applications filed on or after  
 2.9 July 1, 2007.

2.10 Sec. 2. Minnesota Statutes 2006, section 290B.04, subdivision 2, is amended to read:

2.11 Subd. 2. **Approval; recording.** The commissioner shall approve all initial  
 2.12 applications that qualify under this chapter and shall notify qualifying homeowners on or  
 2.13 before December 1. The commissioner shall also notify qualifying homeowners of the  
 2.14 maximum household income under section 290A.04, subdivision 2, for the calendar year  
 2.15 preceding the year of the qualifying homeowner's initial application. The commissioner  
 2.16 may investigate the facts or require confirmation in regard to an application. The  
 2.17 commissioner shall record or file a notice of qualification for deferral, including the names  
 2.18 of the qualifying homeowners and a legal description of the property, in the office of the  
 2.19 county recorder, or registrar of titles, whichever is applicable, in the county where the  
 2.20 qualifying property is located. The notice must state that it serves as a notice of lien and  
 2.21 that it includes deferrals under this section for future years. The homeowner shall pay the  
 2.22 recording or filing fees for the notice, which, notwithstanding section 357.18, shall be paid  
 2.23 by the homeowner at the time of satisfaction of the lien.

2.24 **EFFECTIVE DATE.** This section is effective for applications filed on or after  
 2.25 July 1, 2007.

2.26 Sec. 3. Minnesota Statutes 2006, section 290B.04, subdivision 3, is amended to read:

2.27 Subd. 3. **Excess-income certification by taxpayer.** A taxpayer whose initial  
 2.28 application has been approved under subdivision 2 shall notify the commissioner of  
 2.29 revenue in writing by July 1 if the taxpayer's household income for the preceding  
 2.30 calendar year exceeded ~~\$60,000~~ the maximum household income under section 290A.04,  
 2.31 subdivision 2, for the calendar year preceding the initial year of the application that was  
 2.32 certified to the taxpayer by the commissioner under section 290B.04, subdivision 2. The  
 2.33 certification must state the homeowner's total household income for the previous calendar

3.1 year. If the commissioner determines that the taxpayer's household income exceeded the  
 3.2 maximum household income under section 290A.04, subdivision 2, for the preceding  
 3.3 calendar year, the commissioner must notify the individual that the individual has income  
 3.4 in excess of the maximum allowed. No property taxes may be deferred under this chapter  
 3.5 in any year following the year in which a program participant filed or should have filed  
 3.6 an excess-income certification under this subdivision showing income in excess of the  
 3.7 maximum allowed, unless the participant has filed a resumption of eligibility certification  
 3.8 as described in subdivision 4.

3.9 **EFFECTIVE DATE.** This section is effective for applications filed on or after  
 3.10 July 1, 2007.

3.11 Sec. 4. Minnesota Statutes 2006, section 290B.04, subdivision 4, is amended to read:

3.12 Subd. 4. **Resumption of eligibility certification by taxpayer.** A taxpayer who  
 3.13 has previously filed an excess-income certification under subdivision 3 may resume  
 3.14 program participation if the taxpayer's household income for a subsequent year is  
 3.15 ~~\$60,000~~ or less than the maximum household income under section 290A.04, subdivision  
 3.16 2. If the taxpayer chooses to resume program participation, the taxpayer must notify  
 3.17 the commissioner of revenue in writing by July 1 of the year following a calendar  
 3.18 year in which the taxpayer's household income is ~~\$60,000~~ or less than the maximum  
 3.19 household income under section 290A.04, subdivision 2. The certification must state  
 3.20 the taxpayer's total household income for the previous calendar year. Once a taxpayer  
 3.21 resumes participation in the program under this subdivision, participation will continue  
 3.22 until the taxpayer files a subsequent excess-income certification under subdivision 3 or  
 3.23 until participation is terminated under section 290B.08, subdivision 1.

3.24 **EFFECTIVE DATE.** This section is effective for applications filed on or after  
 3.25 July 1, 2007.

3.26 Sec. 5. Minnesota Statutes 2006, section 290B.05, subdivision 1, is amended to read:

3.27 Subdivision 1. **Determination by commissioner.** The commissioner shall  
 3.28 determine each qualifying homeowner's "annual maximum property tax amount"  
 3.29 following approval of the homeowner's initial application and following the receipt of a  
 3.30 resumption of eligibility certification. The "annual maximum property tax amount" equals  
 3.31 three percent of the homeowner's total household income for the year preceding either the  
 3.32 initial application or the resumption of eligibility certification, whichever is applicable.  
 3.33 Following approval of the initial application, the commissioner shall determine the

4.1 qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative  
 4.2 to the appropriate assessment year for any homeowner whose total household income  
 4.3 for the previous year exceeds ~~\$60,000~~ the maximum household income under section  
 4.4 290A.04, subdivision 2. No tax shall be deferred in any year in which the homeowner  
 4.5 does not meet the program qualifications in section 290B.03. The maximum allowable  
 4.6 total deferral is equal to 75 percent of the assessor's estimated market value for the  
 4.7 year, less the balance of any mortgage loans and other amounts secured by liens against  
 4.8 the property at the time of application, including any unpaid and delinquent special  
 4.9 assessments and interest and any delinquent property taxes, penalties, and interest, but not  
 4.10 including property taxes payable during the year.

4.11 **EFFECTIVE DATE.** This section is effective for applications received on or after  
 4.12 July 1, 2007.

4.13 Sec. 6. Minnesota Statutes 2006, section 290B.07, is amended to read:

4.14 **290B.07 LIEN; DEFERRED PORTION.**

4.15 (a) Payment by the state to the county treasurer of property taxes, penalties, interest,  
 4.16 or special assessments and interest deferred under this chapter is deemed a loan from the  
 4.17 state to the program participant. The commissioner must ~~compute the interest as provided~~  
 4.18 ~~in section 270C.40, subdivision 5, but not to exceed five percent, and~~ maintain records of  
 4.19 the total deferred amount and interest for each participant. Interest shall accrue beginning  
 4.20 September 1 of the payable year for which the taxes are deferred, provided that no interest  
 4.21 shall be charged on (i) deferred property tax amounts on applications filed on or after  
 4.22 July 1, 2007, or (ii) deferred property taxes beginning with taxes payable in 2008 on  
 4.23 applications filed prior to July 1, 2007. Any deferral made under this chapter shall not  
 4.24 be construed as delinquent property taxes.

4.25 The lien created under section 272.31 continues to secure payment by the taxpayer,  
 4.26 or by the taxpayer's successors or assigns, of the amount deferred, including interest, with  
 4.27 respect to all years for which amounts are deferred. The lien for deferred taxes and interest  
 4.28 has the same priority as any other lien under section 272.31, except that liens, including  
 4.29 mortgages, recorded or filed prior to the recording or filing of the notice under section  
 4.30 290B.04, subdivision 2, have priority over the lien for deferred taxes and interest. A  
 4.31 seller's interest in a contract for deed, in which a qualifying homeowner is the purchaser  
 4.32 or an assignee of the purchaser, has priority over deferred taxes and interest on deferred  
 4.33 taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred  
 4.34 taxes and interest for future years has the same priority as the lien for deferred taxes and

5.1 interest for the first year, which is always higher in priority than any mortgages or other  
5.2 liens filed, recorded, or created after the notice recorded or filed under section 290B.04,  
5.3 subdivision 2. The county treasurer or auditor shall maintain records of the deferred  
5.4 portion and shall list the amount of deferred taxes for the year and the cumulative deferral  
5.5 and interest for all previous years as a lien against the property. In any certification of  
5.6 unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes  
5.7 payable in the current year, deferred taxes and interest, and delinquent taxes. Payment  
5.8 of the deferred portion becomes due and owing at the time specified in section 290B.08.  
5.9 Upon receipt of the payment, the commissioner shall issue a receipt for it to the person  
5.10 making the payment upon request and shall notify the auditor of the county in which the  
5.11 parcel is located, within ten days, identifying the parcel to which the payment applies.  
5.12 Upon receipt by the commissioner of revenue of collected funds in the amount of the  
5.13 deferral, the state's loan to the program participant is deemed paid in full.

5.14 (b) If property for which taxes have been deferred under this chapter forfeits  
5.15 under chapter 281 for nonpayment of a nondeferred property tax amount, or because  
5.16 of nonpayment of amounts previously deferred following a termination under section  
5.17 290B.08, the lien for the taxes deferred under this chapter, plus interest and costs, shall be  
5.18 canceled by the county auditor as provided in section 282.07. However, notwithstanding  
5.19 any other law to the contrary, any proceeds from a subsequent sale of the property under  
5.20 chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale  
5.21 fund for any direct costs of selling the property or any costs directly related to preparing  
5.22 the property for sale, and then to reimburse the state for the amount of the canceled lien.  
5.23 Within 90 days of the receipt of any sale proceed to which the state is entitled under these  
5.24 provisions, the county auditor must pay those funds to the commissioner of revenue by  
5.25 warrant for deposit in the general fund. No other deposit, use, distribution, or release of  
5.26 gross sale proceeds or receipts may be made by the county until payments sufficient  
5.27 to fully reimburse the state for the canceled lien amount have been transmitted to the  
5.28 commissioner.

5.29 **EFFECTIVE DATE.** This section is effective July 1, 2007.