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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH
SESSION

HOUSE FILE No. 923

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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 property taxes; eliminating the one-year lag in determining fiscal
1.3 disparities contribution net tax capacities and distribution levies; amending
1.4 Minnesota Statutes 2008, sections 276A.04; 276A.05, subdivisions 1, 5;
1.5 276A.06, subdivisions 2, 3, 5; 473F.06; 473F.07, subdivisions 1, 5; 473F.08,
1.6 subdivisions 2, 3, 5; repealing Minnesota Statutes 2008, sections 276A.06,
1.7 subdivision 9; 473F.08, subdivision 8a.

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

1.9 Section 1. Minnesota Statutes 2008, section 276A.04, is amended to read:

1.10 **276A.04 INCREASE IN NET TAX CAPACITY.**

1.11 By ~~July~~ August 15 of ~~1997~~ and each subsequent year, the auditor of each county
1.12 in the area shall determine the amount, if any, by which the net tax capacity determined
1.13 ~~in the preceding year~~ pursuant to section 276A.03, of commercial-industrial property
1.14 subject to taxation within each municipality in the county exceeds the net tax capacity
1.15 in 1995 of commercial-industrial property subject to taxation within that municipality,
1.16 including the total net tax capacity of property that becomes taxable under section 298.25.
1.17 If a municipality is located in two or more counties within the area, the auditors of
1.18 those counties shall certify the data required by section 276A.03 to the county auditor
1.19 responsible for allocating the levies of that municipality between or among the affected
1.20 counties. That county auditor shall determine the amount of the net excess, if any, for the
1.21 municipality under this section, and certify that amount under section 276A.05. The
1.22 increase in total net tax capacity determined by this section must be reduced by the amount
1.23 of any decreases in the net tax capacity of commercial-industrial property resulting from
1.24 any court decisions, court-related stipulation agreements, or abatements for a prior year,
1.25 and only in the amount of such decreases made during the 12-month period ending on

2.1 May 1 of the current assessment year, where the decreases, if originally reflected in the
 2.2 determination of a prior year's net tax capacity under section 276A.03, would have
 2.3 resulted in a smaller contribution from the municipality in that year. An adjustment for the
 2.4 decreases shall be made only if the municipality made a contribution in a prior year based
 2.5 on the higher net tax capacity of the commercial-industrial property.

2.6 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
 2.7 subsequent years.

2.8 Sec. 2. Minnesota Statutes 2008, section 276A.05, subdivision 1, is amended to read:

2.9 Subdivision 1. **Areawide net tax capacity.** Each county auditor shall certify the
 2.10 determinations under sections 276A.03 and 276A.04 to the administrative auditor on or
 2.11 before August ~~+~~ 15 of each year. The administrative auditor shall determine an amount
 2.12 equal to 40 percent of the sum of the amounts certified pursuant to section 276A.04. The
 2.13 resulting amount shall be known as the "areawide net tax capacity for(year)."

2.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
 2.15 subsequent years.

2.16 Sec. 3. Minnesota Statutes 2008, section 276A.05, subdivision 5, is amended to read:

2.17 Subd. 5. **Certification.** The product of the procedure prescribed by subdivision
 2.18 4 shall be known as the "areawide net tax capacity for(year) attributable to
 2.19(municipality)." The administrative auditor shall certify the product to the auditor of
 2.20 the county in which the municipality is located on or before ~~August~~ September 15.

2.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
 2.22 subsequent years.

2.23 Sec. 4. Minnesota Statutes 2008, section 276A.06, subdivision 2, is amended to read:

2.24 Subd. 2. **Definition.** The net tax capacity of a governmental unit is its net tax
 2.25 capacity as determined in accordance with other provisions of law including section
 2.26 469.177, subdivision 3, subject to the following adjustments:

2.27 (a) There must be subtracted from its net tax capacity, in each municipality in
 2.28 which the governmental unit exercises ad valorem taxing jurisdiction, an amount that
 2.29 bears the same proportion to 40 percent of the amount certified in that year pursuant
 2.30 to sections 276A.04 and 276A.05 for the municipality as the total ~~preceding year's~~
 2.31 net tax capacity of commercial-industrial property which is subject to the taxing
 2.32 jurisdiction of the governmental unit within the municipality, determined without regard

3.1 to section 469.177, subdivision 3, bears to the total ~~preceding year's~~ net tax capacity of
3.2 commercial-industrial property within the municipality, determined without regard to
3.3 section 469.177, subdivision 3.

3.4 (b) There must be added to its net tax capacity, in each municipality in which the
3.5 governmental unit exercises ad valorem taxing jurisdiction, an amount which bears
3.6 the same proportion to the areawide net tax capacity for the year attributable to that
3.7 municipality as the total ~~preceding year's~~ net tax capacity of residential property which is
3.8 subject to the taxing jurisdiction of the governmental unit within the municipality bears to
3.9 the total ~~preceding year's~~ net tax capacity of residential property of the municipality.

3.10 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
3.11 subsequent years.

3.12 Sec. 5. Minnesota Statutes 2008, section 276A.06, subdivision 3, is amended to read:

3.13 Subd. 3. **Apportionment of levy.** The county auditor shall apportion the levy of
3.14 each governmental unit in the county in the manner prescribed by this subdivision. The
3.15 auditor shall:

3.16 (a) ~~by August 20 of 1997 and each subsequent year,~~ determine the areawide
3.17 portion of the levy for each governmental unit by multiplying the local tax rate of the
3.18 governmental unit for the preceding current levy year times the distribution value set forth
3.19 in subdivision 2, clause (b); and

3.20 (b) ~~by September 5 of 1997 and each subsequent year,~~ determine the local portion
3.21 of the current year's levy by subtracting the resulting amount from clause (a) from the
3.22 governmental unit's current year's levy; and,

3.23 ~~(c) for determinations made under paragraph (a) in the case of school districts,~~
3.24 ~~for taxes payable in 2002, exclude the general education tax rate and the portion of the~~
3.25 ~~referendum tax rate attributable to the first \$415 per pupil unit from the local tax rate for~~
3.26 ~~the preceding levy year.~~

3.27 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
3.28 subsequent years.

3.29 Sec. 6. Minnesota Statutes 2008, section 276A.06, subdivision 5, is amended to read:

3.30 Subd. 5. **Areawide tax rate.** (a) ~~On or before August 25 February 5 of 1997 and~~
3.31 ~~each subsequent~~ year, the county auditor shall certify to the administrative auditor that
3.32 portion of the levy of each governmental unit determined pursuant to subdivision 3, clause

4.1 (a). The administrative auditor shall then determine the areawide tax rate sufficient to
4.2 yield an amount equal to the sum of the levies from the areawide net tax capacity.

4.3 (b) On or before ~~September 1~~ February 10 of each year, the administrative auditor
4.4 shall certify the areawide tax rate to each of the county auditors.

4.5 (c) For the purposes of the notice required under section 275.065, the deadline
4.6 for the certification under paragraph (a) is October 10 and the deadline for certification
4.7 under paragraph (b) is October 15.

4.8 (d) For any governmental unit for which the county auditor has not yet determined
4.9 the local tax rate by January 31, the county auditor shall determine the areawide portion
4.10 of the levy based on an estimated tax rate. In the following year, the distribution levy
4.11 of the unit must be adjusted to correct for the difference between the distribution levy
4.12 actually received and the distribution levy that would have been received if the actual tax
4.13 rate had been used.

4.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
4.15 subsequent years.

4.16 Sec. 7. Minnesota Statutes 2008, section 473F.06, is amended to read:

4.17 **473F.06 INCREASE IN NET TAX CAPACITY.**

4.18 On or before ~~July~~ August 15 of each year, the auditor of each county in the area
4.19 shall determine the amount, if any, by which the net tax capacity determined ~~in the~~
4.20 ~~preceding year~~ under section 473F.05, of commercial-industrial property subject to
4.21 taxation within each municipality in the auditor's county exceeds the net tax capacity in
4.22 1971 of commercial-industrial property subject to taxation within that municipality. If
4.23 a municipality is located in two or more counties within the area, the auditors of those
4.24 counties shall certify the data required by section 473F.05 to the county auditor who is
4.25 responsible under other provisions of law for allocating the levies of that municipality
4.26 between or among the affected counties. That county auditor shall determine the amount
4.27 of the net excess, if any, for the municipality under this section, and certify that amount
4.28 under section 473F.07. Notwithstanding any other provision of sections 473F.01 to
4.29 473F.13 to the contrary, in the case of a municipality which is designated on July 24,
4.30 1971, as a redevelopment area under section 401(a)(4) of the Public Works and Economic
4.31 Development Act of 1965, Public Law 89-136, the increase in its net tax capacity of
4.32 commercial-industrial property for purposes of this section shall be determined in each
4.33 year by using as a base the net tax capacity of commercial-industrial property in that
4.34 municipality in the 1989 assessment year, rather than the net tax capacity of such property

5.1 in 1971. The increase in total net tax capacity determined by this section shall be reduced
 5.2 by the amount of any decreases in net tax capacity of commercial-industrial property
 5.3 resulting from any court decisions, court related stipulation agreements, or abatements
 5.4 for a prior year, and only in the amount of such decreases made during the 12-month
 5.5 period ending on May 1 of the current assessment year, where such decreases, if originally
 5.6 reflected in the determination of a prior year's net tax capacity under section 473F.05,
 5.7 would have resulted in a smaller contribution from the municipality in that year. An
 5.8 adjustment for such decreases shall be made only if the municipality made a contribution
 5.9 in a prior year based on the higher net tax capacity of the commercial-industrial property.

5.10 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
 5.11 subsequent years.

5.12 Sec. 8. Minnesota Statutes 2008, section 473F.07, subdivision 1, is amended to read:

5.13 Subdivision 1. **Areawide net tax capacity.** Each county auditor shall certify the
 5.14 determinations under sections 473F.05 and 473F.06 to the administrative auditor on or
 5.15 before August ~~+~~15 of each year.

5.16 The administrative auditor shall determine an amount equal to 40 percent of the sum
 5.17 of the amounts certified under section 473F.06. The resulting amount shall be known as
 5.18 the "areawide net tax capacity for(year)."

5.19 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
 5.20 subsequent years.

5.21 Sec. 9. Minnesota Statutes 2008, section 473F.07, subdivision 5, is amended to read:

5.22 Subd. 5. **Certification to county auditor.** The result of the procedure prescribed by
 5.23 subdivision 4 shall be known as the "areawide net tax capacity for(year) attributable
 5.24 to(municipality)." The administrative auditor shall certify such product to the
 5.25 auditor of the county in which the municipality is located on or before ~~August~~ September
 5.26 15.

5.27 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
 5.28 subsequent years.

5.29 Sec. 10. Minnesota Statutes 2008, section 473F.08, subdivision 2, is amended to read:

5.30 Subd. 2. **Computation of net tax capacity.** The net tax capacity of a governmental
 5.31 unit is its net tax capacity, as determined in accordance with other provisions of law
 5.32 including section 469.177, subdivision 3, subject to the following adjustments:

6.1 (a) There shall be subtracted from its net tax capacity, in each municipality in which
 6.2 the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears
 6.3 the same proportion to 40 percent of the amount certified in that year under sections
 6.4 473F.06 and 473F.07 for the municipality as the total ~~preceding year's~~ net tax capacity
 6.5 of commercial-industrial property which is subject to the taxing jurisdiction of the
 6.6 governmental unit within the municipality, determined without regard to section 469.177,
 6.7 subdivision 3, bears to the total ~~preceding year's~~ net tax capacity of commercial-industrial
 6.8 property within the municipality, determined without regard to section 469.177,
 6.9 subdivision 3;

6.10 (b) There shall be added to its net tax capacity, in each municipality in which the
 6.11 governmental unit exercises ad valorem taxing jurisdiction, an amount which bears
 6.12 the same proportion to the areawide net tax capacity for the year attributable to that
 6.13 municipality as the total ~~preceding year's~~ net tax capacity of residential property which is
 6.14 subject to the taxing jurisdiction of the governmental unit within the municipality bears to
 6.15 the total ~~preceding year's~~ net tax capacity of residential property of the municipality.

6.16 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
 6.17 subsequent years.

6.18 Sec. 11. Minnesota Statutes 2008, section 473F.08, subdivision 3, is amended to read:

6.19 Subd. 3. **Apportionment of levy.** The county auditor shall apportion the levy
 6.20 of each governmental unit in the auditor's county in the manner prescribed by this
 6.21 subdivision. The auditor shall:

6.22 (a) ~~by August 20,~~ determine the areawide portion of the levy for each governmental
 6.23 unit by multiplying the local tax rate of the governmental unit for the preceding current
 6.24 levy year times the distribution value set forth in subdivision 2, clause (b);

6.25 (b) ~~by September 5,~~ determine the local portion of the current year's levy by
 6.26 subtracting the resulting amount from clause (a) from the governmental unit's current
 6.27 year's levy;

6.28 (c) for determinations made under clause (a) in the case of school districts, for
 6.29 taxes payable in 2002, exclude the general education tax rate and the portion of the
 6.30 referendum tax rate attributable to the first \$415 per pupil unit from the local tax rate for
 6.31 the preceding levy year;

6.32 (d) for determinations made under clause (a) in the case of the Metropolitan Council,
 6.33 for taxes payable in 2002, exclude the transit operating tax rate from the local tax rate
 6.34 for the preceding levy year; and

7.1 (e) for determinations made under clause (a) in the case of transit opt-out cities,
7.2 for taxes payable in 2002, exclude the opt-out transit rate from the local tax rate for the
7.3 preceding levy year.

7.4 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
7.5 subsequent years.

7.6 Sec. 12. Minnesota Statutes 2008, section 473F.08, subdivision 5, is amended to read:

7.7 Subd. 5. **Areawide tax rate.** (a) On or before August 25 February 5 of each year,
7.8 the county auditor shall certify to the administrative auditor that portion of the levy of
7.9 each governmental unit determined under subdivisions 3, clause (a), 3a, and 3b. The
7.10 administrative auditor shall then determine the areawide tax rate sufficient to yield an
7.11 amount equal to the sum of such levies from the areawide net tax capacity.

7.12 (b) On or before September 1 February 10 of each year, the administrative auditor
7.13 shall certify the areawide tax rate to each of the county auditors.

7.14 (c) For the purposes of the notice required under section 275.065, the deadline
7.15 for the certification under paragraph (a) is October 10 and the deadline for certification
7.16 under paragraph (b) is October 15.

7.17 (d) For any governmental unit for which the county auditor has not yet determined
7.18 the local tax rate by January 31, the county auditor shall determine the areawide portion
7.19 of the levy based on an estimated tax rate. In the following year, the distribution levy
7.20 of the unit must be adjusted to correct for the difference between the distribution levy
7.21 actually received and the distribution levy that would have been received if the actual tax
7.22 rate had been used.

7.23 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and
7.24 subsequent years.

7.25 Sec. 13. **REPEALER.**

7.26 Minnesota Statutes 2008, sections 276A.06, subdivision 9; and 473F.08, subdivision
7.27 8a, are repealed.

276A.06 NET TAX CAPACITY OF GOVERNMENTAL UNIT.

Subd. 9. **Fiscal disparities adjustment.** In any year in which the highest class rate for class 3a property changes from the rate in the previous year, the following adjustments shall be made to the procedures described in sections 276A.04 to 276A.06:

(1) An initial contribution tax capacity shall be determined for each municipality based on the previous year's class rates.

(2) Each jurisdiction's distribution tax capacity shall be determined based upon the areawide tax base determined by summing the tax capacities computed under clause (1) for all municipalities and apportioning the resulting sum pursuant to section 276A.05, subdivision 5.

(3) Each jurisdiction's distribution levy shall be determined by applying the procedures described in subdivision 3, clause (a), to the distribution tax capacity determined pursuant to clause (2).

(4) Each municipality's final contribution tax capacity shall be determined equal to its initial contribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

(5) For the purposes of computing education aids and any other state aids requiring the addition of the fiscal disparities distribution tax capacity to the local tax capacity, each municipality's final distribution tax capacity shall be determined equal to its initial distribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

(6) The areawide tax rate shall be determined by dividing the sum of the amounts determined in clause (3) by the sum of the values determined in clause (4).

(7) The final contribution tax capacity determined in clause (4) shall also be used to determine the portion of each commercial-industrial property's tax capacity subject to the areawide tax rate pursuant to subdivision 7.

473F.08 NET TAX CAPACITY.

Subd. 8a. **Fiscal disparities adjustment.** In any year in which the highest class rate for class 3a property changes from the rate in the previous year, the following adjustments shall be made to the procedures described in sections 473F.06 to 473F.08.

(1) An initial contribution tax capacity shall be determined for each municipality based on the previous year's class rates.

(2) Each jurisdiction's distribution tax capacity shall be determined based upon the areawide tax base determined by summing the tax capacities computed under clause (1) for all municipalities and apportioning the resulting sum pursuant to section 473F.07, subdivision 5.

(3) Each jurisdiction's distribution levy shall be determined by applying the procedures described in subdivision 3, clause (a), to the distribution tax capacity determined pursuant to clause (2).

(4) Each municipality's final contribution tax capacity shall be determined equal to its initial contribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

(5) For the purposes of computing education aids and any other state aids requiring the addition of the fiscal disparities distribution tax capacity to the local tax capacity, each municipality's final distribution tax capacity shall be determined equal to its initial distribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

(6) The areawide tax rate shall be determined by dividing the sum of the amounts determined in clause (3) by the sum of the values determined in clause (4).

(7) The final contribution tax capacity determined in clause (4) shall also be used to determine the portion of each commercial/industrial property's tax capacity subject to the areawide tax rate pursuant to subdivision 6.