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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-SIXTH
SESSION**

HOUSE FILE No. 1389

March 5, 2009

Authored by Scalze, Gardner and Peterson

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; modifying certain levy limit provisions; amending Minnesota
1.3 Statutes 2008, sections 275.70, subdivision 5; 275.71, subdivision 4.

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

1.5 Section 1. Minnesota Statutes 2008, section 275.70, subdivision 5, is amended to read:

1.6 Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes
1.7 levied by a local governmental unit for the following purposes or in the following manner:

1.8 (1) to pay the costs of the principal and interest on bonded indebtedness or to
1.9 reimburse for the amount of liquor store revenues used to pay the principal and interest
1.10 due on municipal liquor store bonds in the year preceding the year for which the levy
1.11 limit is calculated;

1.12 (2) to pay the costs of principal and interest on certificates of indebtedness issued for
1.13 any corporate purpose except for the following:

1.14 (i) tax anticipation or aid anticipation certificates of indebtedness;

1.15 (ii) certificates of indebtedness issued under sections 298.28 and 298.282;

1.16 (iii) certificates of indebtedness used to fund current expenses or to pay the costs of
1.17 extraordinary expenditures that result from a public emergency; or

1.18 (iv) certificates of indebtedness used to fund an insufficiency in tax receipts or
1.19 an insufficiency in other revenue sources;

1.20 (3) to provide for the bonded indebtedness portion of payments made to another
1.21 political subdivision of the state of Minnesota;

1.22 (4) to fund payments made to the Minnesota State Armory Building Commission
1.23 under section 193.145, subdivision 2, to retire the principal and interest on armory
1.24 construction bonds;

- 2.1 (5) property taxes approved by voters which are levied against the referendum
- 2.2 market value as provided under section 275.61;
- 2.3 (6) to fund matching requirements needed to qualify for federal or state grants or
- 2.4 programs to the extent that either (i) the matching requirement exceeds the matching
- 2.5 requirement in calendar year 2001, or (ii) it is a new matching requirement that did not
- 2.6 exist prior to 2002;
- 2.7 (7) to pay the expenses reasonably and necessarily incurred in preparing for or
- 2.8 repairing the effects of natural disaster including the occurrence or threat of widespread
- 2.9 or severe damage, injury, or loss of life or property resulting from natural causes, in
- 2.10 accordance with standards formulated by the Emergency Services Division of the state
- 2.11 Department of Public Safety, as allowed by the commissioner of revenue under section
- 2.12 275.74, subdivision 2;
- 2.13 (8) pay amounts required to correct an error in the levy certified to the county
- 2.14 auditor by a city or county in a levy year, but only to the extent that when added to the
- 2.15 preceding year's levy it is not in excess of an applicable statutory, special law or charter
- 2.16 limitation, or the limitation imposed on the governmental subdivision by sections 275.70
- 2.17 to 275.74 in the preceding levy year;
- 2.18 (9) to pay an abatement under section 469.1815;
- 2.19 (10) to pay any costs attributable to increases in the employer contribution rates
- 2.20 under chapter 353, or locally administered pension plans, that are effective after June
- 2.21 30, 2001;
- 2.22 (11) to pay the operating or maintenance costs of a county jail as authorized in
- 2.23 section 641.01 or 641.262, or of a correctional facility as defined in section 241.021,
- 2.24 subdivision 1, paragraph (f), to the extent that the county can demonstrate to the
- 2.25 commissioner of revenue that the amount has been included in the county budget as
- 2.26 a direct result of a rule, minimum requirement, minimum standard, or directive of the
- 2.27 Department of Corrections, or to pay the operating or maintenance costs of a regional jail
- 2.28 as authorized in section 641.262. For purposes of this clause, a district court order is
- 2.29 not a rule, minimum requirement, minimum standard, or directive of the Department of
- 2.30 Corrections. If the county utilizes this special levy, except to pay operating or maintenance
- 2.31 costs of a new regional jail facility under sections 641.262 to 641.264 which will not
- 2.32 replace an existing jail facility, any amount levied by the county in the previous levy year
- 2.33 for the purposes specified under this clause and included in the county's previous year's
- 2.34 levy limitation computed under section 275.71, shall be deducted from the levy limit
- 2.35 base under section 275.71, subdivision 2, when determining the county's current year

3.1 levy limitation. The county shall provide the necessary information to the commissioner
3.2 of revenue for making this determination;

3.3 (12) to pay for operation of a lake improvement district, as authorized under section
3.4 103B.555. If the county utilizes this special levy, any amount levied by the county in the
3.5 previous levy year for the purposes specified under this clause and included in the county's
3.6 previous year's levy limitation computed under section 275.71 shall be deducted from
3.7 the levy limit base under section 275.71, subdivision 2, when determining the county's
3.8 current year levy limitation. The county shall provide the necessary information to the
3.9 commissioner of revenue for making this determination;

3.10 (13) to repay a state or federal loan used to fund the direct or indirect required
3.11 spending by the local government due to a state or federal transportation project or other
3.12 state or federal capital project. This authority may only be used if the project is not a
3.13 local government initiative;

3.14 (14) to pay for court administration costs as required under section 273.1398,
3.15 subdivision 4b, less the (i) county's share of transferred fines and fees collected by the
3.16 district courts in the county for calendar year 2001 and (ii) the aid amount certified to be
3.17 paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes
3.18 levied to pay for these costs in the year in which the court financing is transferred to the
3.19 state, the amount under this clause is limited to the amount of aid the county is certified to
3.20 receive under section 273.1398, subdivision 4a;

3.21 (15) to fund a police or firefighters relief association as required under section 69.77
3.22 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

3.23 (16) for purposes of a storm sewer improvement district under section 444.20;

3.24 (17) to pay for the maintenance and support of a city or county society for the
3.25 prevention of cruelty to animals under section 343.11. If the city or county uses this
3.26 special levy, any amount levied by the city or county in the previous levy year for the
3.27 purposes specified in this clause and included in the city's or county's previous year's levy
3.28 limit computed under section 275.71, must be deducted from the levy limit base under
3.29 section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

3.30 (18) for counties, to pay for the increase in their share of health and human service
3.31 costs caused by reductions in federal health and human services grants effective after
3.32 September 30, 2007;

3.33 (19) for a city, for the costs reasonably and necessarily incurred for securing,
3.34 maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by
3.35 the commissioner of revenue under section 275.74, subdivision 2. A city must have either
3.36 (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in

4.1 the city or in a zip code area of the city that is at least 50 percent higher than the average
 4.2 foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2,
 4.3 to use this special levy. For purposes of this paragraph, "foreclosure rate" means the
 4.4 number of foreclosures, as indicated by sheriff sales records, divided by the number of
 4.5 households in the city in 2007;

4.6 (20) for a city, for the unreimbursed costs of redeployed traffic control agents and
 4.7 lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified
 4.8 to the Federal Highway Administration;

4.9 (21) to pay costs attributable to wages and benefits for sheriff, police, and fire
 4.10 personnel. If a local governmental unit did not use this special levy in the previous year its
 4.11 levy limit base under section 275.71 shall be reduced by the amount equal to the amount it
 4.12 levied for the purposes specified in this clause in the previous year; and

4.13 (22) an amount equal to any reductions in the certified aids or credits payable under
 4.14 sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section
 4.15 16A.152 or reductions enacted by the legislature in 2009 or 2010. The amount of the levy
 4.16 allowed under this clause is equal to the amount unallotted or reduced in the calendar year
 4.17 in which the tax is levied unless the ~~unallotment~~ amount is not known by September 1 of
 4.18 the levy year, in which case the ~~unallotment~~ amount may be levied in the following year.

4.19 **EFFECTIVE DATE.** This section is effective for taxes levied in 2009 and 2010,
 4.20 payable in 2010 and 2011.

4.21 Sec. 2. Minnesota Statutes 2008, section 275.71, subdivision 4, is amended to read:

4.22 Subd. 4. **Adjusted levy limit base.** For taxes levied in ~~2008 through~~ 2009 and 2010,
 4.23 the adjusted levy limit base is equal to the levy limit base computed under subdivision 2
 4.24 or section 275.72, multiplied by:

4.25 (1) one plus the lesser of 3.9 percent or the percentage growth in the implicit price
 4.26 deflator, but not less than zero;

4.27 (2) one plus a percentage equal to 50 percent of the percentage increase in the number
 4.28 of households, if any, for the most recent 12-month period for which data is available; and

4.29 (3) one plus a percentage equal to 50 percent of the percentage increase in the
 4.30 taxable market value of the jurisdiction due to new construction of class 3 property, as
 4.31 defined in section 273.13, subdivision 4, except for state-assessed utility and railroad
 4.32 property, for the most recent year for which data is available.

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