

Summary of 1999 Property Tax Laws

1999 Minnesota Legislative Session

September, 1999

FROM THE DIRECTOR

September 24, 1999

The Property Tax Division of the Minnesota Department of Revenue is pleased to provide this summary of the property tax law changes passed by the 1999 Minnesota Legislature during the regular session and signed by the Governor.

The purpose of the *1999 Summary* is to provide property tax administrators, and their service organizations, with an organized, condensed source of information to make them aware of legislative changes affecting the property tax laws.

It should be noted that, except for a few cases that may involve the Department of Revenue, the *1999 Summary* does not cover the property tax laws that specifically relate to school districts. This dimension of the property tax system is handled by the Minnesota Department of Children, Families and Learning: (651) 582-1612.

If you have suggestions for improving future editions of the *Summary*, please contact Julie Rosalez at (651) 296-0333.

Sincerely,



Deb Volkert, Acting Director
Property Tax Division

Laws Included in the 1999 Summary

<u>Subject</u>	<u>H.F./S.F. Numbers</u>	<u>Chapter Number</u>	<u>Date Signed</u>
Pooling rules for tax increment financing	SF 73	10	03/15/99
Changes relating to common interest communities	SF 343	11	3/15/99
Publication of Delinquent Tax List	HF 1132	60	04/16/99
Farm Aid	HF 1	112	04/21/99
Personal Service of sheriff's Notice	SF 1060	133	05/07/99
Family Preservation Aid	SF 1585	159	05/13/99
Eminent Domain awards "Green Acres." & Tax Forfeited Land	SF 626	161	5/13/99
PERA Aid	SF 319	222	05/25/99
1997 Omnibus Tax Bill Reinacted	SF 2226	231	5/25/99
Omnibus Tax Bill	HF 2400	243	05/25/99
Limited Liability Company	SF 1876	248	05/25/99

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**CHAPTER 11, ARTICLE 3, SECTION 8
COMMON INTEREST COMMUNITIES**

The statute that contains the general rule, that townhouses and condominiums may qualify for property tax homestead treatment, along with the common elements properly allocated to each such unit, was amended to reflect the terminology of the new substantive laws, according to which cooperatives, townhouses and condominiums are now referred to as common interest or planned communities. Minn. Stat. § 273.124, subd. 2.

Amended by Minn. Laws 1999, chapter 11, article 3, sec. 8.

Effective August 1, 1999, and thereafter.

**CHAPTER 112, SECTION 1
AGRICULTURAL ASSISTANCE PROGRAM**

A one-time cash assistance payment is provided to qualified Minnesota crop production and livestock farmers under two options. Option A: Livestock producers operating on 160 acres or less can apply for a refund of the property taxes due and payable on May 15, 1999. This option will affect the 1998 Minnesota property tax refund. Application must be made by November 30, 1999.

Option B, for livestock farmers or crop producers, is a per acre payment of \$4 for every acre on which an agricultural crop was produced for crop year 1998 to a maximum of \$5,600 for a farm or producer. Applications must be made by September 30, 1999. Forms and instructions are to be produced by the Department of Revenue, and payment must be made to the farmers within thirty days of receipt of their application under either option.

**CHAPTER 243, ARTICLE 2, SECTIONS 27 AND 45 AND
CHAPTER 243, ARTICLE 6, SECTION 55
TAXPAYER INFORMATION**

Extends the law for Washington County only through July 31, 2001, that permits the County to sell some information they have which is related to property tax. It includes names and addresses of property owners and property values.

Effective upon approval of the Washington Board.

**CHAPTER 243, ARTICLE 5, SECTION 54
REPEALER
LAND VALUE SCHEDULE**

Repealed the law requiring the commissioner of revenue to annually develop a table showing agricultural land values to be used by assessors when valuing different types of agricultural land in different regions of the state. Repeals Minn. Stat. § 273.11, subd. 10.

Effective July 1, 1999.

**CHAPTER 243, ARTICLE 5, SECTION 6
LIMITED MARKET VALUE**

Prior law limited the amount by which the taxable valuation of agricultural, residential, or seasonal-recreational-residential property could increase from one year to the next by excluding from tax that portion of the increase that exceeded the greater of: (i) 10 percent of the preceding year's taxable valuation; or, (ii) 25 percent of the difference between the current year's estimated value and the preceding year's taxable valuation. These percentages are reduced to 8.5 percent and 15 percent respectively, beginning with taxes payable in 2000. (Current law also specifies that these limits expire after tax year 2002.)

Amends Minn. Stat. § 273.11, subd. 1a.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 12
PROPERTY TAX MICRODATA**

Allows a county treasurer or county auditor to view and access the social security and federal identification numbers that property owners and occupants gave to that county's assessor on their homestead application. The authorization applies only to certain data-compilation activities that will be necessary within each county in order to support the commissioner of revenue's production of the microdata (information on individuals rather than aggregate) sample required under Minn. Stat. § 270.0681. Minn. Laws 1999, chapter 227, section 19, and Minn. Laws 1999, chapter 243, article 5, section 12 amends Minn. Stat. § 273.124, subd. 13.

Minn. Stat. § 270.0681 requires the commissioner of revenue to prepare microdata samples of income tax returns and other information useful for the purpose of estimating state revenues, simulating the effect of changes or proposed changes in state and federal tax law on the amount of state revenues, and analyzing the incidence of present or proposed taxes.

Effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 14
PROHIBITS ADDITIONAL HOMESTEAD REQUIREMENTS**

Political subdivisions are prohibited from imposing any additional requirements, not contained in statute as a condition of granting homestead classifications to property. Some local units had added additional unrelated conditions to the requirements of the homestead classification. For example, some jurisdictions had made compliance with certain zoning and sewer requirements a condition of receiving homestead.

Amends Minn. Stat. § 273.124, by adding the new subdivision 14.

Effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 15
SPECIAL HOMESTEAD CLASSIFICATION FOR BLIND OR DISABLED PERSONS**

Clarifies the definition of income for determining eligibility for the permanently and totally disabled homestead class, clause (3) of class 1b. Prior to the change, the definition was based on gross income. It is now based on net income, which is the same definition that is used for the property tax refund program.

Amends Minn. Stat. § 273.13, subd. 22.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 16
EXPANDS AGRICULTURAL DEFINITION**

The property tax definition of "agricultural products" has been expanded to include insects primarily bred to be used as food for animals, and to include trees grown for sale as a crop, and not sold for timber, lumber, wood or wood products (Christmas trees). This definition of "agricultural products" will be used to determine if property qualifies for the agricultural property tax classification.

Amends Minn. Stat. § 273.13, subd. 23.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 23
GIANTS RIDGE**

Removes the restriction in current law preventing residences developed adjacent to the Giants Ridge Recreation Area from receiving the homestead classification (and the property tax refund).

Amends Minn. Stat. § 298.22, subd. 7.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 24
ACCESS BY ASSESSOR**

Allows property owners to refuse to allow an assessor to inspect their property. The refusal must be verbal or in writing. The assessor may then estimate a property's value by making assumptions believed appropriate concerning the property's finish and condition. If the assessor is refused entry, the local board of review may not adjust the market value or classification in a way that would benefit the property.

Amends Minn. Stat. § 273.20 and 274.01, subd 1.

Effective May 26, 1999, and for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 37 & 38
FEDERALLY SUBSIDIZED LOW-RENT PUBLIC HOUSING**

Updates a definition of "federal legislation" to include all amendments to the United States Housing Act of 1937, 42 U.S.C. §§ 1401-1440, made through December 31, 1998. The prior reference was to amendments as of December 31, 1989. In addition, the provision allowing a city or county to agree to exempt HRA property from its property taxes was expanded. These agreements, in the case of low-rent public housing subsidized under the U.S. Housing Act of 1937, as amended through December 31, 1998, may now provide that the property is exempt from all property taxes. Exemption in this context is somewhat of a misnomer, because these properties must make annual in-lieu of property tax payments equal to at least 5 percent of annual, state-defined shelter rents. Despite the in-lieu-of requirement, broader exemption agreements will make it easier for projects to qualify for federal subsidies under programs that require the participating property to be exempt from local property taxes, or that the sponsoring local government entity buy-down local nondiscriminatory property taxes to an amount not exceeding 10 percent of federally-defined shelter rents.

Amends Minn. Stat. §§ 469.002, subd. 10 and 469.012, subd. 1.

Effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 44
ELDERLY ASSISTED LIVING FACILITIES**

Elderly assisted living facilities are properly taxable within at least two different property classifications, depending on tenant characteristics, or are properly exempt, depending on other characteristics. This amendment extends the moratorium on changes in the assessment of such facilities by one year, through assessment year 1999.

Amends Minn. Laws 1997, ch. 231, art. 2, sec. 68, subd. 3, as amended by Minn. Laws 1998, ch. 389, art. 3, sec. 36.

Effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 13, SECTION 19
ELIMINATES COMMISSIONER OF REVENUE'S REVIEW OF ABATEMENTS**

Eliminated the provision that allows the school or municipality to object to an abatement granted by the county board, and to have the matter referred to the commissioner of revenue. The provision previously applied to an abatement of taxes, penalties, interest and costs that exceeded \$10,000.

Amends Minn. Stat. § 375.192, subd. 2.

Effective September 1, 1999.

**CHAPTER 243, ARTICLE 5, SECTION 7
"THIS OLD HOUSE"**

IMPROVEMENTS TO OLDER HOMESTEADS

A number of changes were made in the so-called "this old house" statute. This statute provides a 10-year exclusion for qualifying improvements made to homestead property.

MINIMUM AGE ELIGIBILITY.

The home must now be 45 years old at the time of the improvement in order to be eligible for the exclusion. The prior age requirement was 35 years old. There was no change to the provision that allows only 50 percent of the value to be excluded for houses less than 70 years old.

MARKET VALUE LIMITATION.

Homes valued at \$400,000 or less are now eligible regardless of location.

VALUE AND NUMBER OF IMPROVEMENTS

The minimum value eligible for deferment was increased from \$1,000 to \$5,000. The limitation allowing only three improvements to qualify for exclusion was eliminated. An unlimited number of improvements can qualify, up to the maximum exclusion amount. The maximum dollar amount of exclusion remains at \$25,000 or \$50,000, depending upon the age of the house.

PHASING-OUT THE EXCLUSIONS

The period for adding-back excluded value has changed. Improvements adding \$10,000 or less to the home are added back at the end of the 10 year deferment 50 percent each year for the next two assessment years. Improvements adding more than \$10,000 will be added back at the end of the 10 year deferment at the rate of 20 percent each year for the next five assessment years.

Amends Minn. Stat. § 273.11, subd. 16.

Chapter 243, Article 5, Section is effective for improvements made after June 30, 1999.

**CHAPTER 243, ARTICLE 5 SECTION 3
BUSINESS INCUBATOR**

The property tax exemption available under current law through tax year 2005 for property intended for use as a business incubator, but not yet occupied on the assessment day, is expanded to cover property that has been placed into use. Current law defines a business incubator as a facility owned by a nonprofit organization and which is used to assist in the development of non-retail businesses by providing various services to the tenant businesses. Eligible properties must be located in a county that had an average annual unemployment rate of 7.9 percent or greater in 1997, and must consist of no more than two contiguous parcels containing 40,000 square feet in the aggregate. The current exemption expires with the taxes payable in 2005.

Amends Minn. Stat. § 272.02, subd. 1, clause (30).

Effective for taxes payable in 2000 and thereafter.

ELECTRIC GENERATING EQUIPMENT**CHAPTER 243, ARTICLE 5, SECTION 3
TURBINE FACILITY**

A new exemption is provided for the personal property of new simple-cycle combustion-turbine electric generation facilities exceeding 250 megawatts of installed capacity. In order to qualify, a facility must: (i) not be owned by a public utility as defined in Minn. Stat. § 216B.02, subd. 4; (ii) utilize natural gas as its primary fuel; (iii) be located within 20 miles of the intersection of an existing 42-inch natural gas pipeline and a 345-kilovolt high-voltage electric transmission line; (iv) be designed to provide peaking, emergency backup, or contingency services; (v) have received a certificate of need under Minn. Stat. § 216B.243, demonstrating demand for its capacity; and, (vi) be under construction by July 1, 2003 (but after July 1, 1999). The exemption will not include the electric transmission lines and interconnections, or gas pipelines and interconnections that are associated with the facility. At least one qualifying facility, to be located in Martin County, is currently in the planning stages.

Amends Minn. Stat. § 272.02, subd. 1, by adding the new clause (32).

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 4
FACILITIES PURCHASED OR USED BY A UTILITY**

The existing exemption for private-use electric generation equipment is expanded to cover equipment sold to, and used by, a Minnesota electric utility. Eligible equipment must have been operational, and exempt under existing law, on Jan. 2, 1999. Tools, implements, and machinery that increase the generation capacity of a facility exempted by this provision will also be exempt.

Amends Minn. Stat. § 272.027, by adding the new subd. 2.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 4
STEEL-RELATED FACILITY**

A new exemption is provided for the tools, implements, and machinery of an electric generating facility if, when completed, the facility will have a capacity of at least 450 megawatts and if the facility is adjacent to a taconite mine direct-reduction steel mill that consumes over 60 percent of the electricity generated by the facility.

Amends Minn. Stat. § 272.027, by adding the new subd. 3.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 248, SECTION 2
LIMITED LIABILITY COMPANIES**

The general rule for property tax exemption is that there must be a concurrence of ownership and use. In order to be exempt, property must be both owned by an exempt entity and used for an exempt purpose. A new provision changes this general rule in the case of property owned or operated by a single-member limited liability company. The change allows property owned or operated by a limited liability company to qualify for exemption under Minn. Stat. § 272.02, subd. 1, in those cases where the property would be exempt under the same provision if the member (*i.e.*, owner) of the limited liability company owned or operated the property. Minn. Laws 1999, ch. 248, sec. 2 amends Minn. Stat. § 272.02, by adding the new subd. 1b.

Effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 6
LIMITED MARKET VALUE**

The law changes the limits of the amount by which the taxable valuation of qualifying property (agricultural, residential, or seasonal-recreational-residential) can increase from one year to the next by excluding from tax that portion of the increase that exceeded the greater of: (i) 8.5 percent of the preceding year's taxable valuation; or, (ii) 15 percent of the difference between the current year's estimated value and the preceding year's taxable valuation. (Current law also specifies that these limits expire after tax year 2002.)

Amends Minn. Stat. § 273.11, subd. 1a.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 11, ARTICLE 3, SECTION 8
COMMON INTEREST COMMUNITIES**

The statute that contains the general rule, that townhouses and condominiums may qualify for property tax homestead treatment, along with the common elements properly allocated to each such unit, was amended to reflect the terminology of the new substantive laws, according to which cooperatives, townhouses and condominiums are now referred to as common interest or planned communities. Minn. Stat. § 273.124, subd. 2.

Amended by Minn. Laws 1999, chapter 11, article 3, sec. 8.

Effective August 1, 1999 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 1
APPEALS**

Owners whose valuation notice does not reflect the fact that their current year homestead application was denied may appeal that denial in the small claims division of tax court; even though they may not have been able to timely appear before the local board of review or the county board of equalization. Under prior law, owners had to first appeal to the local board of review and the county board of equalization in order to appeal to the small claims division of tax court.

Amends Minn. Stat. § 271.01, subd 5 and 271.21, subd. 2.

Effective for petitions filed with the tax court on or after May 26, 1999.

**CHAPTER 243, ARTICLE 5, SECTION 9
RELATIVE-HOMESTEADS**

Relative homestead is expanded to property that is occupied by the niece or nephew of the owner. The general rule is that homestead property must be occupied by its owner or a qualified relative. The existing relative homestead provisions did not include niece or nephew as qualifying relatives. Amends Minn. Stat. § 273.124, subd. 1, paragraph (c). Effective for taxes payable in 2000 and thereafter.

A related change enacts the new paragraph (h). It requires residential or agricultural property to be treated as a relative homestead during the time it is used for homestead purposes by the child of a deceased owner and the required probate proceedings have not yet been completed.

Effective for taxes payable in 1999 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 10
LEASED UTILITY PROPERTY**

Land and buildings can qualify for the homestead classification, even though the land is owned by a utility, if the land is leased for 20 years or more; the occupant is using the property as their homestead; and, the property taxes and special assessments are paid by the lessee. Amends Minn. Stat. § 273.124, subd. 7, by enacting the new subdivision (c).

A related change effective at the same time amends Minn. Stat. § 272.03, subd. 6, to allow these lots (*i.e.*, owned by a utility and leased for residential or recreational uses for terms of 20 years or longer) to be treated as separate parcels for property tax purposes.

Both changes are effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 12
PROPERTY TAX MICRODATA**

Allows a county treasurer or county auditor to view and access the social security and federal identification numbers that property owners and occupants gave to that county's assessor on their homestead application. The authorization applies only to certain data-compilation activities that will be necessary within each county in order to support the commissioner of revenue's production of the microdata sample required under Minn. Stat. § 270.0681. Minn. Laws 1999, chapter 227, section 19, and Minn. Laws 1999, chapter 243, article 5, section 12 amends Minn. Stat. § 273.124, subd. 13.

Effective May 26, 1999 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 14
ADDITIONAL HOMESTEAD REQUIREMENTS PROHIBITED**

Political subdivisions are prohibited from imposing any additional requirements, not contained in statute as a condition of granting homestead classifications to property. Some local units had added additional unrelated conditions to the requirements of the homestead classification. For example, some jurisdictions had made compliance with certain zoning and sewer requirements a condition of receiving homestead.

Amends Minn. Stat. § 273.124, by adding the new subdivision 14.

Effective May 26, 1999 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 15
CLASS RATE CHANGES

Residential homesteads, class 1a. The first \$76,000 of taxable market value will have a class rate of 1 percent, and the remaining taxable market value will have a class rate of 1.65 percent.

Amends Minn. Stat. § 273.13, subd. 22.

Effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 15
SPECIAL HOMESTEAD CLASSIFICATION FOR BLIND OR DISABLED PERSONS

Clarifies the definition of income for determining eligibility for the permanently and totally disabled homestead class, clause (3) of class 1b. Prior to the change, the definition was based on gross income. It is now based on net income, which is the same definition that is used for the property tax refund program.

Amends Minn. Stat. § 273.13, subd. 22.

Effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 33
GIANTS RIDGE

The restriction in current law that prevents residences developed adjacent to the Giants Ridge Recreation Area from receiving the homestead classification (and the property tax refund) is removed.

Amends Minn. Stat. § 298.22, subd. 7.

Effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 11
HOMESTEAD PROVISIONS FOR FAMILY FARM CORPORATIONS OR
PARTNERSHIPS

Agricultural property owned by a shareholder of a family farm corporation, and leased to the family farm corporation, is entitled to agricultural homestead treatment if the owner is actually residing on the property and is engaged in farming the land on behalf of the corporation. The prior language of this statute limited its application to property owned by the corporation. The new provisions will apply equally to agricultural land owned by a partner of a partnership operating a family farm and leased to the partnership.

This amendment is effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 13
AGRICULTURAL HOMESTEAD TREATMENT OF NON-CONTIGUOUS LANDS

Allows agricultural homestead classification for farms of at least 40 acres where the farm owner does not live on the farm, but lives within four cities or townships from the farm, if the owner actively farms the land, is a Minnesota resident, and neither the owner(s) nor their spouse claim another agricultural homestead in Minnesota.

This section replaces the old, "*Agricultural homesteads; special provisions*" found in Minnesota Statute 273.124 subdivision 14 par. (a) that provided for homestead treatment on noncontiguous farmland if certain conditions were met. Although this provision remains in law, qualification is limited only to those who qualified and received this "*special provision*" for the 1998 assessment. Any property owners in a county receiving this classification should continue to receive it as long as they continue to meet the conditions set out in that statute. The provision under Minnesota Statute § 273.124 subdivision 14 par. (a), only applies to those who qualified for that provision for the 1998 assessment.

Amends Minn. Stat. § 273.124, subd. 14.

Effective for taxes payable in 2000 and thereafter. To qualify for taxes payable in the year 2000, application must be made by July 1, 1999.

CHAPTER 243, ARTICLE 5, SECTION 16
EXPANDS AGRICULTURAL DEFINITION

The property tax definition of "agricultural products" has been expanded to include insects primarily bred to be used as food for animals, and to include trees grown for sale as a crop, and not sold for timber, lumber, wood or wood products(Christmas trees). This definition of "agricultural products" will be used to determine if property qualifies for the agricultural property tax classification.

Amends Minn. Stat. § 273.13, subd. 23.

Effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 16 & 27
CLASS RATES AND ACREAGE LIMITS

The 320-acre size-limit for agricultural homesteads has been eliminated. Instead, the agricultural class rates will apply to the various tiers of market value, without reference to acreage. The first \$115,000 of the taxable market value of homesteaded agricultural property (excluding the house, garage and first acre) will have a class rate of 0.35 percent; the taxable valuation between \$115,000 and \$600,000 will have a class rate of 0.8 percent; and, the remaining market value will have a class rate of 1.2 percent. Under the prior law, the 0.8 percent class rate could not apply beyond the first 320 acres.

The class rate for non-homestead agricultural land is reduced from 1.25 percent to 1.2 percent.
Amends Minn. Stat. § 273.13, subd. 23.

Effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 17
COMMERCIAL-INDUSTRIAL CLASSIFICATION

Several changes are made to the commercial-industrial property tax classification statute. The new class rates for commercial-industrial properties are 2.4 percent on the first \$150,000 of taxable market value, and 3.4 percent on the remainder. The unique class rates for employment properties were eliminated. The limitation stating that the first-tier commercial-industrial class rate was applicable to just one property per owner per county is eliminated for utility property. This same treatment was given to all other commercial-industrial property in 1997.

It also expands the definition of class 3 property to include all public utility personal property, and simultaneously changes the definition of class 5 to exclude these properties.

Amends Minn. Stat. § 273.13, subd. 24.

Effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 17 & 18
TRANSIT ZONE PROPERTIES

Several changes are made affecting this type of property. The transit zone classification is eliminated for new structures; with exceptions for properties qualifying as being under development or those for which certain planning-stage activities have occurred. There are new restrictions for those properties remaining in the transit zone class. New language sets the transit zone class rate at the lesser of the highest commercial-industrial class rate, or 2.975 percent. A personal property tax is imposed on the leaseholds of tenants of certain structures that qualify for the transit zone classification. The tax is equal to the market value of the property covered by the lease times the class rate differential between the regular upper-tier commercial-industrial class rate and the transit zone rate, times the total local tax rate. The tax does not apply to qualifying leases or options executed, or committed to, before May 1, 1999; nor, to buildings that are occupied initially by their owner (or an affiliated entity), or by a single entity (or an affiliated entity). The new leasehold tax takes the place of the discretionary tax on transit zone property in Minneapolis and St. Paul under the original 1998 law.

Amends Minn. Stat. § 273.13, subd. 24; enacts the new subdivision 24a, as amended by Minn. Laws 1999, ch. 249, sec. 22, and repeals Minn. Laws 1998, ch. 389, art. 3, sec. 45.

Effective for taxes payable in 2001 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 49
ELECTRIC UTILITY PERSONAL PROPERTY

The commissioner of revenue is to conduct meetings with industry and government representatives to assess the policy issues related to the taxation of electric utility generation facilities, including: taxation under restructuring of the electric industry; the revenue impacts on local governments; and, the sufficiency of Minnesota's future electric power supply. The commissioner will make recommendations on the future of the personal property tax on electric power generation facilities as appropriate. A plan for these meetings must be submitted by January 15, 2000; and a final report must be submitted to the chairs of the Senate committees on taxes and on jobs, energy, and community development, the House committees on taxes and commerce, and to the governor, by December 1, 2000.

This uncodified provision is effective July 1, 1999, and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 19
CLASS 4; MISCELLANEOUS OTHER PROPERTY TYPES

Class 4a. The class rate for apartments not located in small cities and taxable hospitals is changed from 2.5 percent of market value to 2.4 percent.

Class 4b. The class rate for duplexes, triplexes, manufactured homes not qualifying as homesteads or low-income rental units and single-unit residential properties not qualifying as 4bb, and platted land classified as residential is reduced from 1.7 percent of taxable market value to 1.65 percent.

Class 4bb. The class rates for qualifying non-homesteaded single-unit residential properties are changed to 1.2 percent of the first \$76,000 of taxable market value and 1.65 percent of the remaining market value.

Class 4c. The class rate for homesteaded commercial resorts, qualifying golf courses, nonprofit community service organization property, qualified post-secondary student housing, and metropolitan indoor fitness or recreational property is changed from 1.8 percent to 1.65 percent. The same class rate will also apply to the class 4c(5) manufactured home parks because these properties are now given the rate assigned to class 4b. According to the provisions of an uncodified law effective July 1, 1999 and thereafter; the Legislature intends that one-half of the property tax savings accruing to the owners of manufactured home parks as a result of these class rates reductions be used for capital improvements or home improvements. The class rates for private cabins are also reduced as a result of assigning the class 4bb rates to the class 4c private cabins.

Class 4e. This class, consisting of former warehouses in cities that were converted to residential use, has been eliminated, along with the 2.3 percent class rate that applied to these properties for the first 12 years following conversion. In many instances, the apartment classification will now apply.

Amends Minn. Stat. § 273.13, subd. 25.

Effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 36
LOW-INCOME HOUSING

Class 4d Low-Income Rental Housing. Under this program the Minnesota Housing Finance Agency certifies qualified properties to the assessor by June 30 of each assessment year. A provision that would have required this certification to occur by April 1 beginning with the year 2000 assessment is now stricken.

Amends Minn. Stat. § 462A.071, subd. 2.

Effective May 26, 1999, and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 36
LOW-INCOME APARTMENT AID

The qualifying threshold for receipt of this aid is lowered from 2.5 percent of net tax capacity to 2 percent. Under this temporary, three-year aid program, a city will receive state aid if its current tax base is reduced by more than 2 percent from its tax base for taxes payable in 1998; and, that reduction is attributable to the preferential property tax treatment given to pre-existing apartments that have subsequently become eligible for the class 4d low-income housing class rate. The city receives state aid equal to the current reduction in its tax base, minus 2 percent of its 1998 tax base, multiplied by the city's 1998 tax rate. The current class 4d provisions first came into effect for taxes payable in 1999, and the class 4d preference is a 1 percent class rate.

Amends Minn. Stat. § 477A.06, subd. 1.

Effective for aid payable in 1999, 2000 and 2001.

CHAPTER 243, ARTICLE 5, SECTION 36
FEDERALLY SUBSIDIZED LOW-RENT PUBLIC HOUSING

Updates a definition of "federal legislation" to include all amendments to the United States Housing Act of 1937, 42 U.S.C. §§ 1401-1440, made through December 31, 1998. The prior reference was to amendments as of December 31, 1989. In addition, the provision allowing a city or county to agree to exempt HRA property from its property taxes was expanded. These agreements, in the case of low-rent public housing subsidized under the U.S. Housing Act of 1937, as amended through December 31, 1998, may now provide that the property is exempt from all property taxes. Exemption in this context is somewhat of a misnomer, because these properties must make annual in-lieu of property tax payments equal to at least 5 percent of annual, state-defined shelter rents. Despite the in-lieu-of requirement, broader exemption agreements will make it easier for projects to qualify for federal subsidies under programs that require the participating property to be exempt from local property taxes, or that the sponsoring local government entity buy-down local nondiscriminatory property taxes to an amount not exceeding 10 percent of federally-defined shelter rents.

Amends Minn. Stat. §§ 469.002, subd. 10 and 469.012, subd. 1.

Effective May 26, 1999, and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 44
ELDERLY ASSISTED LIVING FACILITIES

Elderly assisted living facilities are properly taxable within at least two different property classifications, depending on tenant characteristics, or are properly exempt, depending on other characteristics. This amendment extends the moratorium on changes in the assessment of such facilities by one year, through assessment year 1999.

Amends Minn. Laws 1997, chapter. 231, article 2, section 68, subd. 3, as amended by Minn. Laws 1998, chapter 389, article 3, section 36.

Effective May 26, 1999. and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 20
CLASS 5 PROPERTIES

The definition of class 5 has changed to remove utility personal property from this class. That property will now be within class 3. Properties remaining within the definition for class 5 will be unmined iron-ore, low-grade iron-bearing formations, and all other property not elsewhere classified. The class rate for these properties is changed from 3.5 percent of market value to 3.4 percent of market value.

Amends Minn. Stat. § 273.13, subd. 31.

Effective for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 24
ACCESS BY ASSESSOR

Allows property owners to refuse to allow an assessor to inspect their property. The refusal must be verbal or in writing. The assessor may then estimate a property's value by making assumptions believed appropriate concerning the property's finish and condition. If the assessor is refused entry, the local board of review may not adjust the market value or classification in a way that would benefit the property.

Amends Minn. Stat. § 273.20 and 274.01, subd 1.

Effective May 26, 1999, and for taxes payable in 2000 and thereafter.

CHAPTER 243, ARTICLE 13, SECTION 19
ABATEMENTS

Eliminated the provision that allows the school or municipality to object to an abatement granted by the county board, and to have the matter referred to the commissioner of revenue. The provision previously applied to an abatement of taxes, penalties, interest and costs that exceeded \$10,000.

Amends Minn. Stat. § 375.192, subd. 2.

Effective September 1, 1999.

CHAPTER 243, ARTICLE 13, SECTION 20
RECORD SEARCHES.

The law now requires the St. Louis county auditor to search office records, upon the written application of any person, in order to find the amount of any taxes or tax liens applicable to a parcel, including the tax years covered and the existence of any tax sales. Eliminated the requirement that the St. Louis county auditor also list the name of the person who purchased the property at a tax sale.

Amends Minn. Stat. § 383C.482, subd. 1.

Effective September 1, 1999, and thereafter.

CHAPTER 161, SECTION 1
EMINENT DOMAIN AWARDS

Damage awards in cases of eminent domain actions may not be reduced because the involved land is valued as "Green Acres" under Minn. Stat. § 273.111 and designated as an agricultural preserve under Chapter 473H. This law change can be found in Minn. Laws 1999, chapter 161, section 1. It amends Minn. Stat. § 117.085.

Effective for proceedings instituted after June 30, 1999.

CHAPTER 248, SECTIONS 18-20 AND
CHAPTER 231, ARTICLE 1, SECTIONS 4-6, 8 AND 15
1997 OMNIBUS TAX BILL REENACTED

Certain sections of the 1997 Omnibus Tax Bill (Minn. Laws 1997, Chapter 231) are reenacted as a precaution in the event the Minnesota Supreme Court invalidates any of these sections in its ruling in the *Associated Builders and Contractors v. Carlson* case currently on appeal. The reenacted provisions have to do with: the property taxes for class 4d low-income rental housing, class 1 homesteads, class 4 non-homestead residential rental properties; economic development property tax abatements; and, tax increment financing. Minn. Laws 1999, Chapter 248, sections 18-20 amends: Minn. Laws 1997, Chapter 231, article 1, sections 4-6, 8 and 15.

(Effective for taxes payable in 1999 and thereafter); article 2, sections 45-48 (effective for taxes payable in 1998 and thereafter); and, article 10.

Effective as of the various dates specified in the amended article 10).

**CHAPTER 243, ARTICLE 5, SECTION 10
LEASED UTILITY PROPERTY**

Land and buildings can qualify for the homestead classification, even though the land is owned by a utility, if the land is leased for 20 years or more; the occupant is using the property as their homestead; and, the property taxes and special assessments are paid by the lessee.

A related change effective at the same time amends Minn. Stat. § 272.03, subd. 6, to allow these lots (*i.e.*, owned by a utility and leased for residential or recreational uses for terms of 20 years or longer) to be treated as separate parcels for property tax purposes.

Amends Minn. Stat. § 273.124, subd. 7, by enacting the new subdivision (c).

Both changes are effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 12
PROPERTY TAX MICRODATA**

Allows a county treasurer or county auditor to view and access the social security and federal identification numbers that property owners and occupants gave to that county's assessor on their homestead application. The authorization applies only to certain data-compilation activities that will be necessary within each county in order to support the commissioner of revenue's production of the microdata sample required under Minn. Stat. § 270.0681. Minn. Laws 1999, chapter 227, section 19, and Minn. Laws 1999, chapter 243, article 5, section 12 amends Minn. Stat. § 273.124, subd. 13.

Effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 14
ADDITIONAL HOMESTEAD REQUIREMENTS PROHIBITED**

Political subdivisions are prohibited from imposing any additional requirements, not contained in Chapters 272 and 273, on granting homestead classifications to property. Apparently some local units had attempted to make homestead classifications within their jurisdictions contingent on compliance with certain local regulations zoning or septic system upgrades.

Amends Minn. Stat. § 273.124, by adding the new subdivision 14.

Effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 15
SPECIAL HOMESTEAD CLASSIFICATION FOR BLIND OR DISABLED PERSONS**

Clarifies the definition of income for determining eligibility for the permanently and totally disabled homestead class, clause (3) of class 1b. It is the same definition as that used for the property tax refund program.

Amends Minn. Stat. § 273.13, subd. 22.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 23
GIANTS RIDGE**

The restriction in current law preventing residences developed adjacent to the Giants Ridge Recreation Area from receiving the homestead classification (and the property tax refund) is removed.

Amends Minn. Stat. § 298.22, subd. 7.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 11, ARTICLE 243, SECTION 8:
COMMON INTEREST COMMUNITIES**

The statute that contains the general rule, that townhouses and condominiums may qualify for property tax homestead treatment, along with the common elements properly allocated to each such unit, was amended to reflect the terminology of the new substantive laws, according to which cooperatives, townhouses and condominiums are now referred to as common interest or planned communities. Minn. Stat. § 273.124, subd. 2, was amended by Minn. Laws 1999, chapter 11, article 3, sec. 8.

Effective August 1, 1999, and thereafter.

CHAPTER 243, ARTICLE 5, SECTION 16
CLASS RATES AND ACREAGE LIMITS

The 320-acre size-limit for agricultural homesteads has been eliminated. Instead, the agricultural class rates will apply to the various tiers of market value, without reference to acreage. The first \$115,000 of the taxable market value of homesteaded agricultural property (excluding the house, garage and first acre) will have a class rate of 0.35 percent; the taxable valuation between \$115,000 and \$600,000 will have a class rate of 0.8 percent; and, the remaining market value will have a class rate of 1.2 percent. Under the prior law, the 0.8 percent class rate could not apply beyond the first 320 acres.

The class rate for non-homestead agricultural land is reduced from 1.25 percent to 1.2 percent.

Amends Minn. Stat. § 273.13, subd. 23.

CHAPTER 243, ARTICLE 5, SECTION 44
ELDERLY ASSISTED LIVING FACILITIES

Elderly assisted living facilities are properly taxable within at least two different property classifications, depending on tenant characteristics, or are properly exempt, depending on other characteristics. This amendment extends the moratorium on changes in the assessment of such facilities by one year, through assessment year 1999.

Amends Minn. Laws 1997, chapter. 231, article 2, section 68, subd. 3, as amended by Minn. Laws 1998, chapter 389, article 3, section 36.

Effective May 26, 1999, and thereafter.

Class Rate Percentages of Real and Personal Property by Property Type
Taxes payable 1999 and 2000

<u>Class</u>	<u>Real Property Description</u>	<u>Payable 1999</u> <u>Class Rate</u>	<u>Real Property Description</u>	<u>Payable 2000</u> <u>Class Rate</u>
1a	Residential Homestead First \$75,000 Over \$75,000	1.00% 1.70%	1a Residential homestead First & 76,000 Over \$76,000	1.00% 1.65%
1b	Blind/Paraplegic Veteran/Disabled/Homestead agricultural: first \$32,000 non-agricultural: first \$32,000	0.45% 0.45%	1b Blind/Paraplegic Veteran/Disabled/Homestead agricultural: first \$32,000 non-agricultural: first \$32,000	0.45% 0.45%
1c	Commercial seasonal - recreational residential – under 250 days and includes homestead	1.00%	1c Commercial seasonal - recreational residential – under 250 days and includes homestead	1.00%
1d	Migrant Housing first \$75,000 over \$75,000	1.00% 1.70%	1d Migrant Housing (Structures only) first \$76,000 over \$76,000	1.00% 1.65%
2a	Agricultural homestead House, Garage, One Acre: first \$75,000 over \$75,000	1.00% 1.70%	2a Agricultural homestead House, Garage, One Acre: first \$75,000 over \$75,000	1.00% 1.65%
	Remainder of Farm: first \$115,000 over \$115,000: first 320 acres over 320 acres	0.35% 0.80% 1.25%	Remainder of Farm: first \$115,000 \$115,000 - \$600,000 over \$600,000	0.35% 0.80% 1.20%
2b	Timberlands	1.25%	2b Timberlands	1.20%
2b	Non-homestead agricultural land	1.25%	2b Non-homestead agricultural land	1.20%
3a	Commercial-Industrial and public utility first \$150,000 over \$150,000	2.45% 3.50%	3a Commercial-Industrial and public utility first \$150,000 over \$150,000	2.40% 3.40%
			3a Public utility machinery	3.40%
			3a Real property owned in fee by a utility for transmission line right- of-way	3.40%

Class Rate Percentages of Real and Personal Property by Property Type
Taxes payable 1999 and 2000

<u>Class</u>	<u>Real Property Description</u>	<u>Payable 1999 Class Rate</u>	<u>Real Property Description</u>	<u>Payable 2000 Class Rate</u>
	Transit zone		Transit zone	
	first \$150,000	2.45%	first \$150,000	2.40%
	over \$150,000	2.98%	over \$150,000***	2.975%
3b	Employment property		3b	Employment property
	Competitive city or zone:		Competitive city or zone:	
	first \$50,000	2.30%	first \$150,000	2.40%
	over \$50,000	3.50%	over \$150,000	3.40%
	Border city:		Border city:	
	first \$150,000	2.45%	first \$150,000	2.40%
	over \$150,000	3.50%	over \$150,000	3.40%
4a	Rental housing		4a	Rental housing
	four or more units, including private for-profit hospitals	2.50%	four or more units, including private for-profit hospitals	2.40%
	selected small cities, four or more units**	2.15%	selected small cities, four or more units**	2.15%
4b(1)	Residential non-homestead one to three units that does not qualify for class 4bb	1.70%	4b(1)	Residential non-homestead one to three units that does not qualify for class 4bb
4b(2)	Unclassified manufactured homes	1.70%	4b(2)	Unclassified manufactured homes
4b(3)	Farm non-homestead containing more than one residence but fewer than four along with the garage and one acre	1.70%	4b(3)	Farm non-homestead containing more than one residence but fewer than four along with the garage and one acre
4b(4)	Residential non-homestead not containing a structure	1.70%	4b(4)	Residential non-homestead not containing a structure
4bb(1)	Residential non-homestead single unit Single house, garage and 1 st acre on ag non-homestead land		4bb(1)	Residential non-homestead single unit Single house, garage and 1 st acre on ag non-homestead land
	first \$75,000	1.25%	first \$76,000	1.20%
	over \$75,000	1.70%	over \$76,000	1.65%

Class Rate Percentages of Real and Personal Property by Property Type
Taxes payable 1999 and 2000

<u>Class</u>	<u>Real Property Description</u>	<u>Payable 1999 Class Rate</u>	<u>Real Property Description</u>	<u>Payable 2000 Class Rate</u>
4c	* Properties which qualified or could have qualified as 4c for 1988, but do not qualify as 4d for 1999, structures only	2.40%	N/A (now class 4a, 4b or 4bb property)	
4c	* Land for properties classified as class 4 in 1998 which does not qualify as 4d in 1999			
	one unit	1.25%	N/A (now class 4b or 4bb property)	
	two or three units	1.70%	N/A (now class 4b property)	
	four or more units	2.50%	N/A (now class 4a property)	
	Selected small cities, four or more units **	2.15%	N/A (now class 4a property)	
4c(1)	Seasonal recreational residential commercial	1.80%	4c(1) Seasonal recreational residential commercial	1.65%
	non-commercial		non-commercial	
	first \$75,000	1.25%	first \$75,000	1.20%
	over \$75,000	2.20%	over \$75,000	1.65%
4c(2)	Qualifying golf courses	1.80%	4c(2) Qualifying golf courses	1.65%
4c(3)	Nonprofit community service oriented organization	1.80%	4c(3) Nonprofit community service oriented organization	1.65%
4c(4)	Post secondary student housing	1.25%	4c(4) Post secondary student housing	1.20%
4c(5)	Manufactured home parks	2.00%	4c(5) Manufactured home parks	1.65%
4c(6)	Metro non-profit recreational property	1.80%	4c(6) Metro non-profit recreational property	1.65%
4d	* properties which qualified or could have qualified as 4d for 1988, but do not qualify for the new 4d class for 1999, structures only	2.20%	N/A (now class 4a, 4b or 4bb property)	
4d	Qualifying 4d properties – land and buildings (includes qualifying units of structures of 1-3 units and qualifying units of structures of 4 or more units)	1.00%	4d Qualifying 4d properties – land and buildings (includes qualifying units of structures of 1-3 units and qualifying units of structures of 4 or more units)	1.00%

Class Rate Percentages of Real and Personal Property by Property Type
Taxes payable 1999 and 2000

<u>Class</u>	<u>Real Property Description</u>	<u>Payable 1999 Class Rate</u>	<u>Real Property Description</u>	<u>Payable 2000 Class Rate</u>
4e	Residential portion of certain converted warehouses	2.30%	N/A (now class 4a property)	
5(1)	Public utility machinery	3.50%	N/A (now class 3 property)	
5(2)	Unmined iron ore	3.50%	5(2) Unmined iron ore	3.40%
5(2)	Low recovery iron ore	3.50%	5(2) Low recovery iron ore	3.40%
5(3)	All other property not included in any other class	3.50%	5(3) All other property not included in any other class	3.40%

- * 4c and 4d transition rates for 1999. Transition rates revert to market rates for taxes payable 2000.
- ** Cities of 5,000 population or less and located entirely outside the seven county metropolitan area and the adjacent nine county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population over 5,000.
- *** Only those structures currently under development or planned for development can qualify.

**CHAPTER 243, ARTICLE 6, SECTION 11
CEMETERY LEVY FOR THE UNORGANIZED TOWNSHIP OF SAWYER IN CARLTON
COUNTY**

Carlton County is given temporary authority to levy a property tax of up to \$1,000 annually in the unorganized township of Sawyer for cemetery purposes.

This uncodified provision is effective June 1, 1999, without local approval, for property tax levies related to taxes payable in 2000 through 2009.

**CHAPTER 222, ARTICLE 2, SECTION 4
SPECIAL LEVY AUTHORIZED**

A new special levy is authorized for an employer's contribution to the local government correctional service retirement plan to the extent that the employer's contribution exceeds 5.49 percent of total salary.

Amending Minn. Stat. § 275.70, subd. 5.

Effective July 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 6, SECTION 2
TAX RATE INCREASE HEARINGS**

A new state law will require cities of over 500 population, and counties, to hold hearings and adopt resolutions in order to levy property taxes at a rate that would produce more than last year's levy; excluding levies and state aids related to fiscal disparities programs. Levy increases will be allowed for levies that pay off general obligation debt, and levies that make up tax base losses caused by classification changes, exemptions, court judgments, or errors made by the county. To facilitate the necessary calculations, the respective county auditors are required to provide certain information to the affected cities and county boards by October 1 of each year.

Amends Minn. Stat. ch. 275, by enacting the new section 275.078, as amended by Minn. Laws 1999, ch. 249, sec. 21.

Effective July 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 6, SECTION 2
REDISTRICTING EXPENSES**

Counties received a generally applicable authorization to levy up to \$1 per capita in a year ending in "0" to pay reasonable costs related to redistricting, establishing precinct boundaries, designating polling places and updating voter records that are incurred in a year ending in "1" or "2." Levies under this authorization will be exempt from statutory levy limits; but, 25 percent must be distributed to the municipalities within the county on a per capita basis.

Amends Minn. Stat. § 204B.135, by adding a new subd. 5.

Effective July 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 6, SECTION 3
SPECIAL LEVY FOR COSTS OF COUNTY JAIL**

A new special levy is allowed for counties for the costs of operating and maintaining a county jail or correctional facility; provided the county shows the expense is due to a requirement or directive from the department of corrections. If a county uses this special levy authority, its overall levy limit will be reduced by the amount that it levied for the same purpose.

Amends Minn. Stat. § 275.70 subd. 5.

Effective for taxes payable in 2000.

**CHAPTER 243, ARTICLE 6, SECTION 4
LEVY LIMIT ADJUSTMENTS FOR STATE TAKEOVER OF DISTRICT COURT COSTS**

The overall levy limits for counties, for taxes payable in 2000, are reduced to reflect the state's assumption of additional district court costs. The adjustment is equal to one-half the county's share of the net cost to the state for assumption of district court costs, as reported by the supreme court. This means the counties are expected to levy for court costs for the first six months of calendar year 2000; and that the state will first assume these costs beginning July 1, 2000. Full assumption of these costs by the state begins in calendar year 2001.

Amends Minn. Stat. § 275.71, subd. 2.

Effective for taxes payable in 2000.

**CHAPTER 243, ARTICLE 6, SECTION 4
EXTENSION OF THE OVERALL LEVY LIMITATIONS FOR COUNTIES AND CITIES
OVER 2,500**

The overall levy limitation is extended for one more year to cover property taxes payable in 2000. The adjusted levy limit base for that year will be calculated with the same three growth factors - inflation, number of households, and new commercial/industrial construction.

Amends Minn. Stat. § 275.71, subs. 3 and 4; and, Minn. Laws 1997, ch. 231, art. 3, sec. 9 (incorporating the amendments made by Minn. Laws 1998, ch. 389, art. 4, sects. 1 to 6).

Effective for taxes payable in 2000.

**CHAPTER 243, ARTICLE 6, SECTION 7
DIFFERENTIAL TAXATION UNDER COOPERATION AND COMBINATION PLANS**

Differential Taxation Under Cooperation And Combination Plans. Under a new subdivision, a plan between two or more local units of government for cooperation or combination may allow for the phase-in of a higher tax rate for the local government unit that had a lower tax rate before combination. The phase-in period is to be based on the time it takes to provide equal municipal services to the residents of the area with the lower tax rate, but may not extend beyond six years. These are substantially the same provisions that exist for annexations in Minn. Stat. § 414.035.

Amends Minn. Stat. § 465.82, by adding the new subdivision 4.

Effective May 26, 1999, for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 6, SECTION 12
COUNTY OF GOODHUE: LEVY LIMIT AND AID ADJUSTMENTS**

The overall levy limit base for Goodhue County is increased by \$422,324 for taxes payable in 2000. For calendar year 1999 only, an extra \$422,324 in state-paid homestead and agricultural credit aid is allocated to the county, without a levy adjustment; however, this amount will be recovered through reduced homestead and agricultural credit aid payments in 2000 and 2001. These uncodified provisions re effective for the years indicated; although the levy limit adjustment provision is conditioned on local approval

**CHAPTER 243, ARTICLE 6, SECTION 13
CITY OF GRANT; LEVY LIMITS**

The overall levy limitation for the city of Grant for taxes payable in 2000 is increased up to the amount that would have been raised if the city had levied at a rate equal to one-third of the statewide average city tax rate for taxes payable in 1999. This amounts to an increase of about \$124,000.

This uncodified provision is effective for taxes payable in 2000 upon local approval.

**CHAPTER 243, ARTICLE 6, SECTION 9
COOK HOSPITAL DISTRICT AND AMBULANCE SERVICE LEVIES**

Increases the levy authority for the Cook hospital district by .0015 percent. The additional levy is to be used to pay for ambulance acquisition for the Cook and Orr ambulance service. The existing levy authority is converted to a percentage of taxable market value, in place of the authorization expressed as a mill rate.

Amends Minn. Laws 1988, ch. 645, art. 3.

Effective without local approval beginning with taxes payable in 2001.

**CHAPTER 243, ARTICLE 14
WATER AND SANITARY SEWER DISTRICTS**

The legislature created two new water and sanitary sewer districts this year; with powers to establish and operate water supply and sewage systems within their respective territories. The Cedar Lake Area Water and Sanitary Sewer District is created in Scott County. The Banning Junction Area Water and Sanitary Sewer District is created in Pine County. Both districts are given municipal powers with regard to governmental tax exemptions, eminent domain, special assessments for local improvements, incurring debt, and levying taxes for water distribution, collection and treatment systems. Taxes may be levied without limit as to amount or rate.

Thirty-eight sections of uncodified law are effective the day after local approval by the affected local units of government as expressed through compliance with Minn. Stat. § 645.021, subd. 3.

**CHAPTER 243, ARTICLE 6, SECTION 14-15
WATERSHED DISTRICT LEVY AUTHORIZATIONS.**

An uncodified provision authorizes the North Fork Crow River watershed district to annually levy the lesser of \$140,000 or .04836 percent of taxable market value for its administrative fund; effective without local approval for taxes payable in 2000 and thereafter. An uncodified provision authorizes the Sauk River watershed district to levy up to \$200,000 annually for its administrative fund.

Effective for taxes payable in 2001 through 2004. The maximum annual administrative fund levy authorized for watershed districts under the general law is contained in section 103D.905 at \$125,000.

**CHAPTER 243, ARTICLE 6, SECTION 16
DIFFERENTIAL DEBT LEVIES**

Under prior law, the city of Stillwater could divide its area into urban and rural service districts, and establish different tax rates for the different districts based on differing service levels. However, the prior law allowed differential tax rates only with regard to non-debt levies. A new uncodified provision allows the city to levy for the payment of bonds or judgments differentially within the different districts in order to carry out an orderly annexation agreement of part or all of Stillwater township. This new uncodified provision is effective without local approval beginning for taxes levied in 1999 payable in 2000.

**CHAPTER 243, ARTICLE 6, SECTION 17
METROPOLITAN COUNCIL TAX BASE REVITALIZATION ACCOUNT**

The metropolitan council's authorization to levy for the tax base revitalization account of the livable communities fund is repealed.

Amends Minn. Stat. § 473.252, subd. 2, and repeals Minn. Stat. § 473.252, subds. 4 and 5.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 248, SECTION 6
DAKOTA COUNTY HRA**

The Dakota County HRA is given the powers of an economic development authority and is renamed the Dakota County community development agency. With the approval of the county board, the agency may increase its levy to the greater of: 0.01813 percent of net tax capacity; the limit authorized under Minn. Stat. §§ 469.107; or, the limit authorized under 469.033, subd. 6. Minn. Laws 1999, ch. 248, sec. 6 amends Minn. Stat. § 383D.41 by adding the new subd. 7.

Effective upon local approval by the Dakota County board as expressed through compliance with Minn. Stat. § 645.021.

**CHAPTER 243, ARTICLE 10, SECTION 1
LOCAL CONTRIBUTION REQUIREMENT LOWERED FOR HOUSING DISTRICTS**

If a municipality elects to make a qualifying annual local contribution to a Tax Increment Financing (TIF) project out of unrestricted moneys, that TIF district will be exempt from the annual state aid offset. The required contribution is a specified percentage of the district's increments, depending on the type of district. Under prior law, the required contributions for housing, renewal and renovation, and economic development districts was 10 percent of increments; and, 5 percent for redevelopment, soil conditions districts, mined underground space agricultural processing facility and hazardous substance subdistricts. Other ethanol production facilities and qualified housing districts are exempt from the local contributions requirement. The required contribution for housing districts was lowered from 10 percent to 5 percent.

Amends Minn. Stat. § 273.1399, subd. 6.

Effective for new districts, or for the addition of geographic area to an existing district, if the request for certification is made after June 30, 1999.

**SECTION 243, ARTICLE 10, SECTION 2
SOCIAL AND RECREATIONAL FACILITIES**

Existing law prohibits the use of tax increment revenues for acquisition, construction or operation of buildings used for government purposes. This change adds language to also prohibit the use of increment revenues to construct or renovate facilities used for social, recreational, or conference facilities, or a common area used as a public park. This will prohibit the use of increments to build ice rinks, community centers, or other facilities of that type which have typically been financed with TIF revenues in the past. The prohibition is made specifically not applicable to privately owned conference facilities. Additional changes will also prohibit the use of increments revenues outside of the district within which they were generated for improvements, equipment, and other items if: the primary purpose is decorative or aesthetic; or, the material or design cost twice as much as more commonly used materials or designs. This later prohibition will not apply to improvements to structures on the national historic register or in a historic district listed on the national register.

Amends Minn. Stat. § 469.176, subd. 4g.

Effective July 1, 1999, and thereafter with respect to expenditures made or binding contracts entered into after January 1, 2000.

**CHAPTER 243, ARTICLE 10, SECTION 3
"POOLING" INCREMENT REVENUES**

Limited pooling is authorized for municipalities with a deficit in a tax increment financing district if the deficit was caused by the 1997, 1998 or 1999 property tax class rate reductions (i.e., tax base losses). This pooling authority is limited to the amount needed to eliminate the deficit, and is subject to a number of other conditions: (i) the authority is limited to TIF districts for which the request for certification was made before enactment of the 1997 property tax reforms; (ii) a deficit is defined as the lesser of (1) the amount by which increments available under pre-existing pooling authorities are less than the district's obligations with regard to bonds issued or contracts entered into before June 2, 1997, or (2) the reduction in the district's increments that result from the 1997, 1998, and 1999 property tax class rate changes; (iii) a municipality may pool increments from districts created by different types of development authorities (e.g., an economic development authority and a port authority), but only if the involved development authorities are not a seaway port authority and are all under the control of the municipality (defined by reference to appointment powers). Pre-1982 districts may use these limited pooling authorities despite the lack of any general pooling authority for them in existing law. For post-1990 districts, for which percentage-of-increment pooling limits do apply under pre-existing general provisions, pooled increments under the 1999 changes are deducted before applying the pooling limits under prior law. Thus, pooling under the 1999 enactments will proportionately reduce the amount of increments available for either in-district spending or pooling under general provisions. Amends Minn. Stat. § 469.1763, by adding the new subd. 6, effective July 1, 1999, and thereafter for all districts for which the request for certification was made before June 2, 1997. A conforming change amends Minn. Stat. § 469.1791, subd. 3, effective July 1, 1999, and thereafter, by striking language enacted in 1998 that allowed cities to pool increments across districts in order to make up for insufficiencies caused by the property tax reforms (i.e., class rate reductions) enacted in 1997 and 1998. In addition, the pooling authority under the 1997 TIF grant program is repealed. Repeals Laws 1997, chapter 231, article 1, section 19, subd. 2.

Effective May 26, 1999.

**CHAPTER 10, ARTICLE 10, SECTION 4
POOLING RULES**

“Pooling rules” (*i.e.*, the authority to spend increments from several districts on activities outside of the geographic area of either district) are provided for districts established after July 31, 1979, and before July 1, 1982. Under prior law, these districts had no explicit authority to spend increments outside of the district in which they were generated; other than for a few specifically authorized purposes such as administrative overhead, or improvements to county roads. All other districts had either unlimited pooling authority, or percentage allowances for amounts that could be spent outside of the district. These changes state that expenditures on activities outside of the TIF district are legal if: (1) the expenditures were made before the earlier of December 31, 1999, or notification by the state auditor that the spending was not authorized; or, (2) the expenditures were used to pay pre-existing obligations. Qualified pre-existing obligations are bonds secured by increments from the district that were issued before the earlier of April 1, 1999, or the date of a noncompliance notice from the State Auditor (or bonds issued to refinance such bonds) or contracts secured by increments from the district that were entered into before the earlier of May 1, 1999, or the date of a noncompliance notice from the state auditor. The effect of these provisions is to allow limited pooling with respect to these districts in the future and to ratify certain limited instances of past pooling; mainly for the purpose of protecting bond holders. Certain out-of-district expenditures with respect to these districts are not ratified. Specifically, increments spent on debt service by municipal development districts are not modified because there was a limited pooling authority available between 1984 and 1990 for this purpose. Also, past pooling violations are not ratified if the city has already voluntarily repaid the increments and decertified the district. If the district has not been decertified, the authority may only spend increments after December 31, 1999, to pay pre-existing obligations. These are bonds issued or contracts entered before the dates listed above -- except that pre-existing contracts related to activities within the district are those entered into before June 30, 1999, (rather than the May 1, 1999, date cited above). When the pre-existing obligations are paid, the district must be decertified.

Amends Minn. Stat. ch. 469 by adding the new Minn. Stat. § 469.1764.

Effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 10, SECTION 5
ENFORCEMENT OF TIF LAWS**

Under current law, the state auditor may examine and audit a political subdivision's use of tax increment financing; and, if evidence of a substantial and material violation of law is found, the relevant information is forwarded to the county attorney. New provisions require the county attorney to notify the state auditor if the county attorney decides not bring an action, or if 12 months pass without the matter being resolved, and without an action having been brought by the county. The state auditor will then notify the attorney general. The attorney general will review any materials submitted by the state auditor, the municipality, and the development authority. If the attorney general finds the violation was substantial, the attorney general is to petition the tax court to suspend the municipality and development authority's power to use TIF for up to five years. Before petitioning the tax court, the attorney general is to attempt to resolve the matter using alternative dispute resolution. If the tax court finds a substantial violation, it may suspend the authority to use tax increment financing for up to 5 years. In determining the length of the suspension, the court may consider a variety of enumerated factors, such as the dollar amount involved, the sophistication of the local unit, the extent which it was a clear violation of law, or whether there was a pattern of violations. A suspension would prohibit certification of new districts, adding area to existing districts, issuing bonds, or amending a TIF plan to authorize new activities or expenditures.

Amends Minn. Stat. § 469.1771, subd. 1, and adds subd. 2b.

Effective July 1, 1999, and thereafter for all districts for which the request for certification was made after August 1, 1979, with respect to violations described in noncompliance letters issued by the state auditor after December 31, 1999.

**CHAPTER 243, ARTICLE 10, SECTION 16
TIF GRANTS**

Provides that the TIF grant program may pay for deficits caused by the 1998 property tax class rate compression, as well as any class rate changes enacted in 1999. Present law limited the availability of grants to deficits caused by the 1997 compression. Also, grant applications may be submitted through August, rather than March, of a payment year. The duration of the TIF grant program is extended by one additional year, through 2001. An additional \$4 million for the TIF grant program will increase the total funding for the grants to \$6 million.

Amends Minn. Laws 1997, ch. 231, art. 1, sec. 19, subds. 1 and 3.

Effective May 26, 1999, and thereafter and, enacts an uncodified appropriation effective July 1, 1999, through December 31, 2001.

**CHAPTER 243, SECTION 18
CITY OF ONAMIA - TAX INCREMENT FINANCING SPECIAL LAWS**

The city of Onamia is given 10 years to commence activities required within 5 years under general law. The 5-year rule requires increments to be spent or binding contracts to be entered into, within five years after the district is certified. This extension applies only to three parcels.

An uncodified provision is effective upon local approval by the city.

**CHAPTER 243, SECTION 19
CITY OF ST CLOUD - TAX INCREMENT FINANCING SPECIAL LAWS**

The Housing and Redevelopment Authority (HRA) for the city of St. Cloud may spend increments from a pre-1982 TIF district outside of the district to redevelop properties destroyed by a natural gas explosion on December 11, 1998. "Pooling" of increments in this way is not allowed under general law for most pre-1982 districts.

An uncodified provision is effective the day following local approval by the governmental units affected, expressed through compliance with Minn. Stat. § 645.021, subd. 3.

**CHAPTER 243, SECTION 20
CITY OF ST. PAUL - TAX INCREMENT FINANCING SPECIAL LAWS**

The duration of the Williams Hill TIF district in St. Paul is extended by disregarding the first \$2,000 of increments for the purpose of calculating the duration limit under general law. The maximum duration extension under this special law is 2 years. The duration calculation for TIF districts generally begins upon receipt of the first increment.

An uncodified provision is effective upon local approval by the city expressed through compliance with Minn. Stat. § 645.021, subd. 3.

**CHAPTER 243, SECTION 21
CITY OF JACKSON - TAX INCREMENT FINANCING SPECIAL LAWS**

The city of Jackson may extend the duration of a pre-1979 TIF district to collect increments through 2002. The maximum amount of increments that may be collected is \$170,000. Under general law, these districts may not spend increments after April 1, 2001, except to pay obligations issued before April 1, 1990. Thus, the bill will allow the city to collect increments in 2001 and 2002.

An uncodified provision is effective the day after approval by the city, county, and school district expressed through compliance with Minn. Stat. § 645.021, subd. 3.

**CHAPTER 243, SECTION 22
CITY OF MINNEOTA - TAX INCREMENT FINANCING SPECIAL LAWS**

Excess increment spending by the city of Minneota is ratified and is deemed to have been authorized. This ratifies approximately \$28,000 that the city spent in excess of the total expenditures identified in the TIF plan.

An uncodified provision is effective upon local approval by the city expressed through compliance with Minn. Stat. § 645.021, subd. 3.

**CHAPTER 243, SECTION 23
CITY OF FRIDLEY - TAX INCREMENT FINANCING SPECIAL LAWS**

The city of Fridley may extend the duration of a certain redevelopment TIF district by up to 13 years; until 2025. The state aid offset during the extension period, if elected, is subject to special limitations; expenditures of increments outside of the district is permitted only for general administrative costs or sewer and highway costs directly related to the development in the district; and, the tax capacity attributable to 200,000 square feet of building value (other than parking ramps) must be excluded from the district in the year the district would have been decertified under general law.

An uncodified provision is effective upon approval by the affected governmental units expressed through compliance with Minn. Stat. §§ 469.1782, subd. 2 and 645.021.

**CHAPTER 243, SECTION 24
CITY OF BROOKLYN CENTER - TAX INCREMENT FINANCING SPECIAL LAWS**

The city of Brooklyn Center may, despite the restrictions of general law, change the fiscal disparities election for a certain TIF district. If so done, the fiscal disparities contribution related to property in the district will be taken from the remaining commercial/industrial property in the city; reducing somewhat the general tax base of the city, the school district and the county.

An uncodified provision is effective upon approval by the city expressed through compliance with Minn. Stat. § 645.021, subd. 3.

**CHAPTER 243, SECTION 25
CITY OF DAWSON - TAX INCREMENT FINANCING SPECIAL LAWS**

The period during which increments may be collected from a certain economic development district in the city of Dawson is extended until 18 years after receipt of the first increment. The duration limit for economic development districts under general law is 9 years following receipt of the first increment, or 11 years after creation of the district. In this case, the effect would be to extend the date by which the district must be decertified from January, 2010 to July, 2019.

An uncodified provision is effective upon approval by the city, county and school district, expressed through compliance with Minn. Stat. §§ 469.1782, subd. 2 and 645.021, subd. 3.

**CHAPTER 243, SECTION 26
CITY OF MINNEAPOLIS - TAX INCREMENT FINANCING SPECIAL LAWS**

Three TIF districts in the city of Minneapolis are exempted from the prohibition enacted this year (and described above) which prohibits the use of increments for social and recreational facilities. These districts are the Mill Ruin Park district, the Milwaukee Road Depot district, and the (to be created) district containing the former Federal Reserve Bank building.

An uncodified provision is effective upon approval by the city, expressed through compliance with Minn. Stat. § 645.021, subd. 3.

**CHAPTER 243, ARTICLE 5, SECTION 53
PROPERTY TAX ABATEMENTS FOR TORNADO-DAMAGED PROPERTY**

The county auditor is to abate a payable 1999 property taxes for non-homestead properties and agricultural homestead properties excluding the house and garage that sustained losses of over 50 percent of the market value of structures due to the tornado of March 29, 1998, if they are located in counties within the associated presidentially designated major-disaster area. The qualifying counties include Blue Earth, Brown, Cottonwood, LeSeuer, Nicollet, Nobles, and Rice. Generally, the payable 1998 property taxes for properties within this disaster area were abated under other laws. Residential homestead properties and the house and garage of agricultural homestead properties are excluded from this law because their payable 1999 taxes were reduced under the state's permanent property tax disaster-credit program. By August 30, 1999, the commissioner of revenue will compute, and issue compensation payments for, the amount of taxes abated within each county under this law, based on reports to be filed with the commissioner by June 30, 1999. Each county treasurer will distribute the state's payment among all taxing jurisdictions within the county whose taxes were abated as part of the regular distribution of property tax collections in October through December.

The uncodified law providing for these abatements, and the compensatory state aid payments, is effective May 26, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 43
LOW-INCOME APARTMENT AID**

The qualifying threshold for receipt of this aid is lowered from 2.5 percent of net tax capacity to 2 percent. Under this temporary, three-year aid program, a city will receive state aid if its current tax base is reduced by more than 2 percent from its tax base for taxes payable in 1998; and, that reduction is attributable to the preferential property tax treatment given to pre-existing apartments that have subsequently become eligible for the class 4d low-income housing class rate. The city receives state aid equal to the current reduction in its tax base, minus 2 percent of its 1998 tax base, multiplied by the city's 1998 tax rate. The current class 4d provisions first came into effect for taxes payable in 1999, and the class 4d preference is a 1 percent class rate.

Amends Minn. Stat. § 477A.06, subd. 1.

Effective for aid payable in 1999, 2000 and 2001.

**CHAPTER 243, ARTICLE 6, SECTION 12
COUNTY OF GOODHUE**

Levy Limit and Aid Adjustments. The overall levy limit base for Goodhue County is increased by \$422,324 for taxes payable in 2000. For calendar year 1999 only, an extra \$422,324 in state-paid homestead and agricultural credit aid is allocated to the county, without a levy adjustment; however, this amount will be recovered through reduced homestead and agricultural credit aid payments in 2000 and 2001.

These uncodified provisions are effective for the years indicate; although the levy limit adjustment provision is conditioned on local approval.

**CHAPTER 243, ARTICLE 11, SECTION 3
STATE FUNDING OF DISTRICT COURTS & ASSOCIATED STATE AID OR
PROPERTY TAX IMPACTS**

Beginning July 1, 2000, the state will assume county and district court costs for the 5th, 7th, and 9th judicial districts. In 1990, as a pilot project, the state assumed all court costs in the 8th judicial district. Effective January 1, 2000, the state funding for the 8th district will become permanent. The state will assume supplemental jury and mandated transcript costs in the 1st through 6th and 10th districts, effective July 1, 2000. Fine and fee revenues from the 5th, 7th, and 9th districts will be transferred to the state, in accordance with the assumption of costs. Amounts equal to the costs newly assumed by the state, minus the revenue increase from fines and fee revenues newly transferred to the state, will be deducted from state aid payments for affected county governments. For calendar year 2000, the state will fund approximately one-half of the costs, and the involved counties will fund the other one-half. This reflects the fact that counties operate on a calendar year basis, while the state budget cycle is on a fiscal year basis. Specific state aid, and property tax impacts are: the \$10 million reduction in homestead and agricultural credit aid that would have reduced calendar year 2000 aid payments (and which would have correspondingly increased family preservation aid for that year) is canceled; the county costs to be assumed by the state for the fiscal year beginning July 1, 2000, minus the fine revenues that will be transferred to the state (defined as the amount of fines actually collected by the involved courts during calendar year 1998), will be deducted from homestead and agricultural aid or education homestead credit aid payments to counties, 75 percent in calendar year 2000, and 100 percent for aid payable in 2001 and thereafter. The Supreme Court must determine and certify the aid reduction amounts to the commissioner of revenue by July 15, 1999. The aid reduction is less in the first year in order to provide counties with half of the funding for the first 6 months of the transition. Counties affected by these transfers may not levy a property tax for the "establishment, operation and maintenance of the county court or courts within the county" beginning with taxes payable in 2000; except as required to accommodate the six-month transition period.

Amends Minn. Stat. § 273.1398, subd. 2, amends Minn. Stat. § 273.1398, by adding the new subdivision 4a, amends Minn. Stat. § 477A.03, subd. 2, and amends Minn. Stat. § 487.02, subd. 2.

Effective for aids and taxes payable in 2000 to the extent indicated above. These changes are also contingent on the enactment of the relevant portion of Minn. Laws 1999, ch. 216, having to do with judicial costs.

ABATEMENTS & CREDITS THAT REDUCE TAX**CHAPTER 243, ARTICLE 5, SECTION 21
EDUCATION HOMESTEAD CREDIT; EDUCATION AGRICULTURAL CREDIT**

The existing property tax credit for homesteads, based on the state-determined property tax levies for general education purposes within each local school district, before reduction for taconite-related school aids, is increased to equal 83 percent of the general education taxes, as described above, on the homestead, up to a maximum of \$390. Additionally, a new general education tax credit is enacted for agricultural-class properties, except for public use airport property that receives the agricultural classification. The new credit is equal to 54 percent of general purpose education taxes levied against the property in the case of agricultural homesteads; and, 50 percent of those taxes in the case of agricultural non-homestead and timberland properties. The new credit will not apply to the house, garage and first acre of agricultural homestead property because that property receives the existing education homestead credit.

Amends Minn. Stat. § 273.1382.

Effective for taxes payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 22 AND 23
HOMESTEAD AND AGRICULTURAL CREDIT AID (HACA)**

Additional state aid for local governments, in the form of increased HACA payments, will be provided to compensate for tax base reductions caused by the class rate changes for agricultural homestead property and non-commercial cabins for taxes payable in 2000. Because it is impossible to compute the relevant agricultural homestead tax base changes with precision using currently available information, the commissioner of revenue is authorized to compute the state-aid increases for calendar year 2000 using the best available data; and, to make adjustment payments in calendar year 2001 if better data becomes available. Amends Minn. Stat. § 273.1398, subd. 1a.

Effective for taxes and state aids payable in 2000 and thereafter. A related change freezes the amount by which the HACA appropriation is reduced in order to fund the increased costs in the department of finance for the local impact note function required under Minn. Stat. § 3.987. The original fiscal year 1998 limit of \$100,000 is extended to fiscal year 1999, and the original limit of \$200,000 for fiscal year 1999 and thereafter is made applicable to fiscal year 2000 and thereafter. Amends Minn. Stat. § 273.1398, subd. 8.

Effective July 1, 1999, and thereafter.

A related change found in Minn. Laws 1999, ch. 243, art. 16, delays by one year the requirement that the department of finance prepare local fiscal notes for administrative rules that would impose new requirements or costs on local units of government. Although, the department of finance must prepare local fiscal notes for state legislation enacted after June 30, 1997, local fiscal notes will only be required for administrative rules that are proposed after December 31, 1999.

Amends Minn. Stat. § 3.986, subd. 2.

Effective July 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 16, SECTION 26
BORDER CITY DEVELOPMENT ZONES**

Border city development zone authorizations were enacted by the 1998 Legislature to permit five cities along the western border to attract new businesses and revitalize their economies. Tax reductions are allowed within municipalities with border city development zones; including both locally funded and state-funded property tax exemptions. All state-funded tax reductions were subject to fixed dollar amounts for each of the five cities. These provisions have been amended. The commissioner of revenue may waive a particular city's limitation if the commissioner finds the municipality must provide an incentive in order to obtain or retain a business in the city; and, that business makes a capital investment of \$1 million or more, employs at least 25 new employees in the city, and pays its employees at that location wages that on average exceed the average wage paid in the county.

Amends Minn. Stat. §§ 469.169, subd. 12, and 469.1735, by adding the new subd. 5.

Effective July 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 16, SECTION 27
BORDER CITY ENTERPRISE ZONES**

The 1999 Legislature authorized additional \$1.5 million funding for tax reductions in border city enterprise zones. The tax reductions for border city enterprise zones may include a state paid property tax credit. The new funding is contingent on a determination by the involved municipality that the tax reductions are necessary to retain a business within, or attract a business to the zone.

Amends Minn. Stat. § 469.169, by adding the new subdivision 14.

Effective July 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 16, SECTION 29
BORDER CITY ENTERPRISE ZONE COMPETITIVENESS GRANTS**

The 1999 Legislature extended by six months to June 30, 1999, the \$1.2 million appropriation for border city enterprise zone competitiveness grants originally funded in the 1997 Flood Relief Act (Minn. Laws 1997 Second Special Session, chapter 2). Grants are available to communities at risk of losing business tax base to North or South Dakota; and may be used for tax reductions or offsets.

Amends Minn. Laws 1997, Second Special Session, ch. 2, sec. 6.

Effective May 26, 1999, and thereafter.

**STATE-PAID AID TO LOCAL GOVERNMENTS (TO REDUCE RELIANCE ON
PROPERTY TAXES)**

**CHAPTER 159, SECTION 133
FAMILY PRESERVATION AID**

A technical change revises the definition of "income maintenance caseload" by striking a reference to "AFDC" and inserting a replacement reference to "Minnesota Family Investment Program." Minn. Laws 1999, ch. 159, sec. 133 amends Minn. Stat. § 477A.0122, subd. 2.

Family Preservation Aid. Family preservation aid for counties was scheduled to be increased by \$30,000,000 for calendar year 2000, \$20,000,000 from the general fund and \$10,000,000 from a transfer from county HACA. A new state law repeals the \$10,000,000 transfer from county HACA, reducing the additional appropriation for family preservation aid to \$20,000,000. The \$10,000,000 of county HACA is needed to help finance the state funding of district court costs under laws 1999, Chapter 243, Article 11 (Chapter 243, Article 5, Section 54)

Effective August 1, 1999, and thereafter.

**CHAPTER 222, ARTICLE 2 SECTION 3
PERA AID**

PERA Aid. Pension aid may not be reduced because an employee transfers from the general plan of the public employees retirement association to the local government correctional service plan.

An amendment in Minn. Laws 1999, ch. 222, art. 2, sec. 3 changing Minn. Stat. § 273.1385, subd. 2.

Effective July 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 42
LOCAL GOVERNMENT AID**

Local Government Aid Increases the local government aid of four cities in 2000 and subsequent years. To address unique local needs, four cities will receive local government aid increases of the following amounts: Pine Island: \$102,000, St. Francis: \$200,000, Warroad: \$150,000, and Baxter: \$225,000. The increases for the first three cities are permanent, while the city of Baxter receives its increase of \$225,000 for three years only. These aid increases will be funded by allocating a portion of the increase in the total aid appropriation that results from the annual inflation adjustment under current law. Without these specific allocations, the inflation adjustment increase would have been distributed by formula to all eligible cities.

Amends Minn. Stat. § 477A.011. subd. 36.

Effective for aid payable in 2000 and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 42
LOCAL PERFORMANCE AID**

Local performance aid (LPA) is repealed, and an amount equal to each local government's 1999 payment is added to either the city's local government aid or the county's homestead and agricultural credit aid. This creates LGA for a city that was not receiving LGA in the past, but which was receiving LPA. An uncodified provision of law, and the repeal of Minn. Stat. § 477A.05.

Both effective for aid payable in 2000 and thereafter.

**CHAPER 159, SECTION 126
PUBLICATION REQUIREMENTS**

A technical change revises the required newspaper advertisement for counties and cities of over 2,500 under the so-called Truth-in-Taxation laws. The definition of "budget amounts" is revised by: adding a reference to "family investment programs" in place of the former reference to "AFDC" programs; and, by updating a statutory cite for Emergency Assistance.

Amends Minn. Stat. § 275.065, subd. 5a.

Effective August 1, 1999, and thereafter.

**CHAPTER 60, SECTION 1
PUBLICATION OF DELINQUENT TAX LIST**

The newspaper which publishes the delinquent tax list no longer has to file three complete copies of the edition containing the list, with supplements, with the local court administrator as a part of the affidavit of publication.

Amends Minn. Stat. § 279.13.

Effective August 1, 1999, and thereafter.

**CHAPTER 133, SECTION 5
PERSONAL SERVICE**

The secretary of state's office will no longer receive the sheriff's personal service on out-of-state interests that qualify as "persons in possession" of tax-forfeited lands for which the applicable redemption period is about to end. Such out-of-state interests -- if they are not present on the land at the time that personal service is attempted by the sheriff -- will have to rely upon the posted, published and mailed notices

Amends Minn. Stat. § 281.23, subd. 6.

Effective August 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 26
DISTRIBUTION OF INTEREST ON DELINQUENT PROPERTY TAXES**

Under current law, penalty and interest receipts related to past-due or delinquent real or personal property taxes are distributed 50 percent to the county where the property is located, and 50 percent to the school districts within that county. Now, if the underlying taxes have been delinquent for more than one year, the county's former 50 percent share of the interest will be distributed to the county and to all the cities and towns within that county in proportion to their respective tax rates for the year the interest was collected.

Amends Minn. Stat. § 276.131.

Effective for interest amounts collected after June 30, 1999.

**CHAPTER 243, ARTICLE 5, SECTION 47
ABATEMENT OF SPECIFIC DELINQUENT TAXES**

Lake county, the city of Two Harbors, and Independent School District No. 681, may each abate their shares of the taxes that are delinquent from 1979-1990 on certain parcels, and the associated interest and penalty amounts. This will allow a conveyance of the property to be recorded under Minn. Stat. § 272.12.

These uncodified provisions are effective May 26, 1999, and thereafter upon local approval by the affected county, city, and school district.

**CHAPTER 243, ARTICLE 13, SECTION 5 & 6
NOTICE OF EXPIRATION OF REDEMPTION**

Numerous changes in the statute, that eliminate or replace archaic language, will make the notices related to the expiration of the redemption period for delinquent property easier to understand. These notices, according to existing law, must be posted at the courthouse, published in the newspaper, mailed to specified parties, and served on persons in possession of the affected property. Additional changes make it optional for the county to include addresses of affected persons on the notices; and, allow the counties to include on each published notice all the parcels that will forfeit in the same year. The current requirement is that a separate notice must be published for the parcels affected by each tax judgment. This often requires that several separate notices be published in the same year, because with the variation in the lengths of the redemption periods for different types of properties, the parcels going forfeit in a particular year will often have different tax judgment dates. With regard to the service of notice on persons in possession, the sheriff or another person serving the notice on tax forfeit lands may consider the notice to have been served after making two attempts in person, and then posting a copy at a conspicuous location on the parcel. Under current law, there is no clear guideline as to how long the sheriff must continue to try to serve a copy of the notice of expiration of redemption when the parcel appears to be occupied but no one can be found.

Amends Minn. Stat. § 281.23, subds 2, 4 and 6.

Effective September 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 13, SECTION 18
PURCHASE PRICE REFUNDS**

The statute on this subject was amended to eliminate an archaic reference to tax sale certificates.

Amends Minn. Stat. § 283.10.

Effective September 1, 1999 and thereafter.

**CHAPTER 243, ARTICLE 13, SECTION 21
OBSOLETE PROVISIONS**

Tax sale certificates have not been issued since 1974. Several obsolete sections that refer to tax sale certificates and assignments thereof, have been repealed: (i) Minn. Stat. § 92.22 - refunds related to tax sale or assignment certificates affecting reform school lands; (ii) Minn. Stat. § 280.27 - applications for state tax deeds by holders of tax sale or assignment certificates; (iii) Minn. Stat. § 281.13 - notice of expiration of redemption by persons holding tax sale or assignment certificates; (iv) Minn. Stat. § 281.38 - refunds to owners of tax sale or assignment certificates due to redemption by owner; (v) Minn. Stat. § 284.01 - lien against land for taxes paid by tax sale or assignment certificate holder when tax judgment or sale set aside; (vi) Minn. Stat. § 284.02 - holders of tax sale certificates may purchase land at subsequent judgment sale; (vii) Minn. Stat. § 284.03 - redemption from sale to enforce taxes paid by certificate holder; (viii) Minn. Stat. § 284.04 - action to quiet title by certificate holder; (ix) Minn. Stat. § 284.05 - when defendant to action by certificate holder is a minor, ward, or mentally ill; (x) Minn. Stat. § 284.06 - plaintiff to pay taxes in action to set aside tax judgment to remove a cloud created by a tax certificate.

Effective September 1, 1999, and thereafter.

**CHAPTER 161
SPECIAL LAWS AFFECTING SPECIFIC PARCELS**

Special laws are often needed to dispose of tax-forfeited lands located next to public waters or wetlands. These lands are otherwise withdrawn from sale by statute. Unless otherwise indicated.

Effective July 1, 1999, and thereafter.

**CHAPTER 161
EASEMENT RESERVED**

An easement is reserved for public angler access and stream habitat protection and enhancement with respect to tax-forfeited land in Carlton County that was authorized to be sold by private sale under a 1997 law.

An uncodified provision is effective May 14, 1999, and thereafter.

**CHAPTER 161
PARKS, OPEN SPACES, AND SIMILAR PURPOSES**

Anoka County may convey specific tax-forfeited lands bordering public water or natural wetland to the cities of Coon Rapids, Ramsey and St. Francis, and to the towns of Columbus and Linwood for park or open space purposes.

Uncodified provisions are effective May 14, 1999, and thereafter.

Anoka County may convey specific tax-forfeited land bordering public water or natural wetland to the city of Lino Lakes or the commissioner of natural resources for open space purposes.

An uncodified provision is effective May 14, 1999, and thereafter.

Anoka County may convey specific tax-forfeited land bordering public water or natural wetland to the city of Fridley for open space purposes or may sell the land to adjoining landowners subject to a conservation easement.

An uncodified provision is effective May 14, 1999, and thereafter.

Anoka County may convey specific tax-forfeited land bordering public water or natural wetland to a political subdivision for open space purposes subject to a conservation easement or to the commissioner of natural resources.

An uncodified provision is effective May 14, 1999, and thereafter.

Hennepin County shall convey specific tax-forfeited land bordering public water or natural wetlands to the city of Eden Prairie for park and open space purposes subject to a conservation easement and wetland replacement plan.

An uncodified provision is effective May 14, 1999, and thereafter.

Hennepin County shall convey specific tax-forfeited land bordering public water to the city of Brooklyn Park for park and open space purposes.

An uncodified provision is effective May 14, 1999, and thereafter.

Olmsted County may convey specific tax-forfeited lands bordering public waters to the city of Rochester for park purposes.

Ramsey County shall convey specific tax-forfeited lands to the city of New Brighton for long-term stormwater retention purposes.

**CHAPTER 161
STATE CONVEYANCES**

The commissioner of revenue shall convey specific tax-forfeited land bordering public water to Anoka County.

An uncodified provision is effective May 14, 1999, and thereafter.

The commissioner of revenue shall convey specific tax-forfeited land bordering public water to Chisago County.

Specific tax-forfeited land in Chisago County that borders public water is transferred to the commissioner of natural resources free from the trust in favor of the local taxing districts.

The commissioner of revenue shall convey specific tax-forfeited lands to the Bois Forte Band of Chippewa Indians upon recommendation of the Koochiching County board.

An uncodified provision is effective May 14, 1999, and thereafter.

The commissioner of revenue shall convey specific tax-forfeited land bordering public water to the commissioner of natural resources for its fair market value as determined by the Le Sueur County board, to be used for fish management purposes.

**CHAPTER 161
PRIVATE SALES**

Cass, Cook, Hubbard and Wadena counties may sell specific tax-forfeited lands bordering public water by private sale.

Itasca County may sell specific tax-forfeited lands, some bordering public water, by private sale.

Le Sueur and Red Lake counties shall sell specific tax-forfeited lands bordering public water by private sale.

St. Louis County may sell and convey specific tax-forfeited land by private sale.

Todd County may sell specific tax-forfeited land bordering public water or wetland by private sale.

Wabasha County may sell specific tax-forfeited land bordering public water by private sale to the city of Hammond for less than appraised value.

An uncodified provision is effective May 14, 1999, and thereafter.

Washington County may sell specific tax-forfeited land bordering public water by private sale to an adjoining landowner for not less than appraised value.

Washington County may sell specific tax-forfeited land bordering public water or wetland by private sale to the former owner for the amount of back taxes plus penalties and interest.

**CHAPTER 161
EXCHANGES**

Cass County may exchange specific tax-forfeited land bordering public waters for a privately-owned parcel.

An uncodified provision is effective May 14, 1999, and thereafter.

**CHAPTER 161
SALE AUTHORIZATIONS**

Douglas County shall sell specific tax-forfeited land bordering public water.

Itasca, Kandiyohi, Mower, Stearns and Wadena counties may sell specific tax-forfeited lands bordering public water.

Itasca County may generally sell tax-forfeited lands bordering public waters that are currently leased for recreational purposes by private sale to the lessees; and may generally sell other lots by private sale as necessary to provide roadway access or the creation of conforming lot sizes. These authorizations expire five years after the final enactment of chapter 161, which occurred on May 13, 1999.

Roseau County may sell specific tax-forfeited lands.

An uncodified provision is effective May 14, 1999, and thereafter.

**CHAPTER 161
ECONOMIC DEVELOPMENT AND RELATED PURPOSES**

Hennepin County may convey specific tax-forfeited land bordering public water or wetland to the city of Eden Prairie for road, park, wetland open space, and private development purposes.

An uncodified provision is effective May 14, 1999, and thereafter.

St. Louis County may sell specific tax-forfeited lands by private sale to the Iron Range Resource and Rehabilitation Board for economic development for fair market value plus the cost of appraisal.

MISCELLANEOUS

Itasca County may reconvey specific donated lands to the former owner. These lands would otherwise be deemed tax-forfeited by the terms of donor's deed.

Specific tax-forfeited land that borders public water may be conveyed by the commissioner of revenue to Sherburne County for road right-of-way.

**CHAPTER, 248, SECTION 7
DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY**

Dakota County may offer non-conservation tax-forfeited land to the newly created Dakota County community development agency under conditions and policies to be established by the county board. The county board may offer parcels to the agency under this authority before the parcels are made available, under existing law, to the cities in Dakota County.

Amends Minn. Stat. § 383D.41 by adding the new subd. 8.

Effective upon local approval by the Dakota County board as evidenced by their compliance with Minn. Stat. § 645.021.

RECODIFICATION

Numerous changes were made to the statutes dealing with delinquent real property taxes and the forfeiture of real property for the nonpayment those taxes. Many of the changes are technical, either repealing obsolete provisions or updating archaic language. Some of the more substantive provisions are: reducing the time period that forfeited property will be withheld from public sale because of a desire by a governmental entity to acquire it; requiring local governments to pay maintenance costs during the reduced time period; and allowing the county to impose conditions on repurchases of tax-forfeited land.

**CHAPTER 243, ARTICLE 13, SECTION 1
FORFEITURE OF PURCHASER'S INTEREST IN STATE LANDS**

Archaic references to real estate tax judgment sales certificates are deleted from a statute dealing with what happens when a parcel of state land forfeits for the nonpayment of real estate taxes before the terms of the sale contract are fulfilled (*i.e.*, only the purchaser's interest forfeits).

Amends Minn. Stat. § 92.51.

Effective September 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 13, SECTIONS 2 & 3
CONFESSION OF JUDGMENT**

Residential rental property in Minneapolis and St. Paul that is not in compliance with housing license or code provisions, and which has therefore been reclassified from property tax class 4bb to class 4b, is not eligible under the confession of judgment statute (and the resulting 10 year payment plan) if the real estate taxes should go delinquent and the property be threatened with a resulting forfeiture. Also, the maximum market value for certain commercial properties to be eligible for a confession of judgment (and the associated 5 year payment plan) is changed from "less than \$200,000" to "\$200,000 or less." This will allow properties having a market value of \$200,000 to be eligible for a confession of judgment. The criteria for all properties is also changed to require that any current year taxes or penalties, due at the time of the confession of judgment, must be paid for the property to be eligible.

Amends Minn. Stat. § 279.37, subds. 1, 1a and 2.

Effective September 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 13, SECTIONS 8 & 14
GOVERNMENT ACQUISITIONS**

The time period that a county board must withhold a parcel from public sale, if a municipality within the county indicates a desire to acquire it, is reduced from one year to six months. Another change requires that the involved municipality pay any maintenance costs relative to the property for the six-month period if the property is not offered for public sale after the six-month period. Under current law the county board must withhold a tax-forfeited parcel from public sale for one year if the municipality requests that it do so; and there is no allowance for maintenance costs incurred during that period. Another law change reduces the time during which a city or town may file an application with the county requesting that a certain parcel be withheld from public sale. Currently a municipality has 90 days following notice of the county's intent to add the parcel to the public sale list in which to respond. The new time period is 60 days. A separate change, effective beginning in 2000, will specifically allow the county to undertake maintenance of tax forfeited lands, and to deduct these costs from any sale proceeds. Current law only authorizes the county to provide for repairs or improvements.

Amends Minn. Stat. § 282.01, subd. 1.

Effective September 1, 1999, and thereafter; and, amends Minn. Stat. § 282.04, subd. 2, effective January 1, 2000, and thereafter.

**CHAPTER 243, ARTICLE 9, SECTIONS 9 & 10
PUBLIC SALES**

Counties are allowed more flexibility in setting the terms of installment sales. Currently, the law allows the purchase price of tax forfeited land to be paid in up to ten annual installments. This change allows counties to require monthly payments. Current law also provides that if a former owner purchases the land at the public sale, they must pay the greater of the high bid at the auction or the total amount of the taxes, assessments, penalties, interests and costs due at time of forfeiture. The law concerning this situation was clarified to note that the taxes and assessments figure must also include any post-forfeiture assessments that have been certified against the parcel.

Amends Minn. Stat. § 282.01, subs. 4 and 7.

Effective September 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 13, SECTIONS 12 - 14
SALE PROCEEDS**

The provision which stated that a municipality must first use any proceeds from the sale or leasing of tax forfeited land that are apportioned to it, to retire debt has been stricken effective for proceeds received after May 26, 1999. The statute which prescribes how the proceeds are to be apportioned among the eligible taxing authorities was revised to eliminate archaic and redundant language effective January 1, 2000 and thereafter. The law was also changed to provide that expenditures for repairs or other purposes which affect specific parcels, including the newly authorized maintenance activities, are to be charged generally to the forfeited tax sale fund beginning in 2000. Under current law, expenditures that affect specific parcels of tax forfeited land must be charged against the proceeds specifically accruing to the taxing districts interested in the parcels. A specific limitation on the amount that could be expended in a year to cut or eradicate noxious weeds was stricken effective January 1, 2000.

Amends Minn. Stat. § 282.05 effective for proceeds received after May 26, 1999. Amends Minn. Stat. §§ 282.08 and 282.09.

Effective January 1, 2000, and thereafter.

**CHAPTER 243, ARTICLE 13, SECTIONS 15 - 17
REPURCHASE BY FORMER OWNER**

Beginning January 1, 2000, and thereafter, the price for a repurchase of tax-forfeited land must specifically include the maintenance costs incurred by the county during the time the property was forfeited. The law was also changed so that the county's administrative fee for repurchase applications will be payable at the time of application; rather than at the time of repurchase, since repurchase applications are not always approved. The county auditor, with county board approval, may now impose specific conditions on the repurchase of tax-forfeited lands. These restrictions may limit the use of the parcel after repurchase. The listed restrictions include, but are not limited to: environmental remediation action plan restrictions or covenants; and, easements for lines or equipment for telephone, telegraph, electric power, or telecommunications.

Amends Minn. Stat. § 282.241.

Effective January 1, 2000, and thereafter. Amends Minn. Stat. § 282.261, subd. 4; and adds the new subd. 5 to Minn. Stat. § 282.261, effective September 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 52
CHARITY CARE AID**

A one-time state-aid payment is provided in 2000 to reimburse certain hospitals for the cost of providing charity care to patients that do not reside in the county. To qualify, a hospital must have a medical assistance disproportionate population adjustment, determined for medical assistance reimbursement purposes, greater than 16 percent. The commissioner of revenue will compute the aid amount for each county, based on reports from the affected counties of amounts spent by hospitals within the county on charity care for nonresidents in 1998. This aid will be paid to the affected counties one-half on or before July 20 and one-half on or before December 26. The aid paid to each county must be distributed by the county to the eligible hospitals based on the 1998 charity care reported by each. The total amount of aid is limited to \$10 million. Payments to each county are reduced proportionally if necessary to stay within the \$10 million appropriation. By March 15, 2001, each county receiving aid must submit a report to the commissioner of revenue describing how this aid was spent, and verifying that the aid was distributed to the qualifying hospitals. For Hennepin County, the charity care aid allocated to the Hennepin County Medical Center in 2000 is required to be subtracted from the Hennepin County levy limit for taxes payable in 2000.

These uncodified provisions are effective July 1, 1999, and thereafter.

**CHAPTER 243, ARTICLE 5, SECTION 50
AMOUNTS COLLECTED AS PROPERTY TAXES**

Dakota County - Penalties Related To Protection Of Water Resources. Dakota County is authorized to impose an administrative penalty for violation of an ordinance enacted under Minn. Stat. Ch. 103F, relating to the protection of water resources. Procedural and substantive limitations are placed on the county's actions; however, a penalty remaining unpaid for 60 days may then be collected under the laws for the assessment and collection of real property taxes.

Amends Minn. Stat. Ch. 383D, by enacting the new section 383D.74.

Effective for penalties imposed between July 1, 1999, and December 31, 2000.

**CHAPTER 243, ARTICLE 5, SECTIONS 28 THROUGH 32
SENIOR CITIZEN PROPERTY TAX DEFERRAL PROGRAM**

Three changes were made to the provisions of this program. First, the maximum allowable household income for homeowners in the program was raised from \$30,000 to \$60,000. The definition of household income is unchanged, and is the same as that used for the property tax refund program. Second, the maximum annual property tax payment which a participant is required to make each year is reduced from 5 percent of the prior year's household income to 3 percent. These payments are additionally limited to the actual net tax payable for the year involved. Third, the law was clarified to allow the participating homeowner to pay the recording or filing fees associated with the lien notice that is required when they enter the program at the time that they terminate participation and the deferred tax lien is satisfied.

Amends Minn. Stat. §§ 290B.03, subd. 1; 290B.04, subds. 3 and 4; 290B.05, subd. 1.

Effective for deferrals of taxes payable in 2000 and thereafter.

Amends Minn. Stat. § 290B.04, subd. 2. (lien recording fee).

Effective May 26, 1999, and thereafter.

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