DEPARTMENT OF REVENUE

**PROPERTY TAX**
**House Omnibus Tax Bill**
**Articles 2-3, 5, 8-9, 11**

May 7, 2024

**Property Taxes and Local Aids Only --**
**See Separate Analysis for State Taxes**

| | Yes | No |
|---|---|---|
| DOR Administrative Costs/Savings | X | |

Department of Revenue
Analysis of H.F. 5247 (Gomez), 3rd Engrossment

| | Fund Impact | | | |
|---|---|---|---|---|
| | F.Y. 2024 | F.Y. 2025 | F.Y. 2026 | F.Y. 2027 |
| | | (000's) | | |
| **Article 2: Property Taxes and Local Government Aids** | | | | |
| Purely Public Charity Exemption | $0 | $0 | $0 | $0 |
| Cooperative Distribution Systems Exemption | $0 | $0 | ($30) | ($30) |
| Grand Portage Band Exemption | | | | |
| School Bond Credit Interaction | $0 | $0 | $0 | negligible |
| Property Tax Refund Interaction | $0 | $0 | $0 | (negligible) |
| Leech Lake Band Exemption | $0 | $0 | $0 | ($10) |
| Homestead Resort Tiers Increased | $0 | $0 | $0 | ($30) |
| Community Land Trusts Valuation | $0 | $0 | $230 | $230 |
| Exclusion for Veterans with a Disability Increased | $0 | $0 | $790 | $850 |
| Advanced PTR for Seniors Credit | $0 | $0 | $0 | $0 |
| DOR Administrative Appropriation | $0 | ($158) | ($118) | ($116) |
| Land Bank Property Abatement | $0 | $0 | ($10) | ($10) |
| Local Homeless Prevention Aid One-Time Increase | $0 | ($5,000) | $0 | $0 |
| LGA Penalty Forgiveness – Stewart | $0 | $0 | $0 | $0 |
| Red Lake Nation Tribal College Exemption | $0 | ($122) | $0 | $0 |
| **Article 3: Minerals Taxes** | | | | |
| Iron Range School and Community Development Name Change | $0 | $0 | $0 | $0 |

| | | | | |
|---|---|---|---|---|
| Taconite Homestead Credit Increase | | | | |
| Property Tax Refund Interaction | $0 | $0 | $850 | $850 |
| Income Tax Interaction | $0 | $0 | $40 | $40 |
| IRFD Tax Statement Changes | $0 | $0 | $0 | $0 |
| Clarifying Gross Proceeds Tax Distribution | $0 | $0 | $0 | $0 |
| Increase Distribution to RAMS | $0 | $0 | $0 | $0 |
| Increase Transfer to School and Community Development Fund | $0 | $0 | $0 | $0 |
| Increase Taconite Municipal Aid to Breitung Twp | $0 | $0 | $0 | $0 |
| DJJ Use of Funds for School Bonds | $0 | $0 | $0 | $0 |
| IRRR Bonds Authorized 2024 | $0 | $0 | $0 | $0 |
| IRRR Bonds Authorized 2025 | $0 | $0 | $0 | $0 |
| Transfer to the City of Chisholm | $0 | $0 | $0 | $0 |
| **Article 5: Tax Increment Financing** | | | | |
| Ramsey TIF | $0 | $0 | $0 | $0 |
| Maple Grove TIF | $0 | $0 | $0 | $0 |
| St. Paul TIF | $0 | $0 | $0 | $0 |
| Brooklyn Center TIF | $0 | $0 | $0 | $0 |
| Brooklyn Park TIF | $0 | $0 | $0 | $0 |
| Eden Prairie TIF | $0 | $0 | $0 | $0 |
| Minnetonka TIF | $0 | $0 | $0 | $0 |
| Moorhead TIF | $0 | $0 | $0 | $0 |
| Plymouth TIF | $0 | $0 | $0 | $0 |
| St. Cloud TIF | $0 | $0 | $0 | $0 |
| **Article 8: Public Finance** | | | | |
| Local Government Debt Financing Modified | $0 | $0 | $0 | $0 |

| | | | | |
|---|---|---|---|---|
| **Article 9: Miscellaneous** | | | | |
| Land Value Taxation Districts Allowed | $0 | $0 | unknown | unknown |
| Emerald Ash Borer Aid Established | $0 | ($1,000) | $0 | $0 |
| Anoka SWCD Grant | $0 | ($50) | $0 | $0 |
| Browerville Roof Collapse Grant | $0 | ($580) | $0 | $0 |
| South St. Paul Grant | ($100) | $0 | $0 | $0 |
| **Article 11: Department of Revenue; Property Taxes and Local Government Aids** | | | | |
| Add 4d(2) to 1b Remaining Value | $0 | $0 | $0 | $0 |
| Add ITIN Reference to Abatements | $0 | $0 | $0 | $0 |
| Local Affordable Housing Aid Correction | $0 | $0 | $0 | $0 |
| **General Fund Total** | **($100)** | **($6,910)** | **$1,752** | **$1,774** |

Various Effective Dates

***Non-General Fund Impacts**

| | | | | |
|---|---|---|---|---|
| **Taconite Property Tax Relief Account** | | | | |
| Taconite Homestead Credit Increase | $0 | ($3,520) | ($7,050) | ($7,050) |
| **Range Association of Municipalities and Schools** | | | | |
| Increase Distribution to RAMS | $0 | $98 | $65 | $66 |
| **Douglas J. Johnson Economic Protection Fund** | | | | |
| Increase Transfer to School and Community Account | $0 | ($2,750) | ($3,000) | ($3,000) |
| **Taconite Municipal Aid Account** | | | | |
| Increase Distribution to RAMS | $0 | ($98) | ($65) | ($66) |
| Increase Taconite Municipal Aid to Breitung Twp | $0 | $0 | $0 | $0 |
| **Iron Range School and Community Development Account** | | | | |
| Increase Transfer to School and Community Account | $0 | $2,750 | $3,000 | $3,000 |
| IRRR Bonds Authorized 2024 | $0 | $0 | ($3,900) | ($3,900) |
| IRRR Bonds Authorized 2025 | $0 | $0 | $0 | ($2,400) |

| | | | | |
|---|---|---|---|---|
| **Taconite Economic Development Fund** | | | | |
| Transfer to the City of Chisholm | $0 | ($300) | $0 | $0 |
| **Housing Assistance Funds** | | | | |
| Local Affordable Housing Aid Correction | $0 | $0 | $0 | $0 |

**REVENUE ANALYSIS DETAIL**

**Article 2: Property Taxes and Local Government Aids**

**Purely Public Charity Exemption (Section 1)**
*The effective date is beginning with taxes payable in 2025.*
Under current law, property owned by an institution of purely public charity is exempt from property taxes. A charitable organization must, with some exceptions, satisfy six factors to be eligible for the exemption.

In its opinion filed March 27, 2024, the Minnesota Supreme Court upheld the Minnesota Tax Court decision that affordable housing properties owned by Alliance Housing Incorporated or North Penn Supportive Housing LLC (collectively referred to as Alliance) are eligible for a property tax exemption because they are owned by an eligible charitable organization.

Under the proposal, rental housing property owned by an eligible charitable organization would not be exempt from property taxes unless the property is used in furtherance of the tax-exempt charitable purpose of the organization. However, property used solely to provide rental housing on the basis of income characteristics would not be eligible for the exemption.

- Under Minnesota Statutes 273.19 subd. 1, tax-exempt property held under a lease for a term of at least one year is considered, for all purposes of taxation, as the property of the person holding the lease.
- Therefore, it is assumed that under current law, the tenants of Alliance properties will now be liable for property taxes beginning with taxes payable in 2025.
- Under the proposal, Alliance properties would not be exempt from property taxes and Alliance, rather than the tenants, would be liable for property taxes beginning with taxes payable in 2025.
- There would be no impact on state-paid refunds under current law (following the court decision), nor under the proposal, because in either situation:
    1) the classification and taxes due on the properties would not change, meaning there would be no shifting of taxes onto other properties,
    2) the tenants would be eligible for the renter's property tax credit,
    3) the tenants would not be eligible for the homeowner's property tax refund.

**Cooperative Distribution Systems Exemption (Sections 2, 10-11)**
*The effective date is beginning with assessment year 2024.*
Under current law, electric cooperative associations pay a tax of $10 for each 100 members in lieu of all personal property taxes on "distribution lines and the attachments and appurtenances thereto of such associations" located in rural areas.

Under the proposal, "distribution lines and the attachments and appurtenances thereto of such associations" would be replaced with "that part of the association's distribution system, not including substations, or transmission or generation equipment…"

- The $10-per-100-members tax is already being paid by electric cooperative associations, meaning the proposal would, in effect, create an exemption for the newly eligible personal property.
- Under the proposal, metering equipment, installations on customers' premises, and streetlighting equipment would be eligible for exemption from property taxes.
- For taxes payable in 2025, the exemption would shift an estimated $560,000 in property taxes away from electric cooperative personal property and onto all other property, including homesteads, increasing state-paid homeowner property tax refunds by $30,000 in fiscal year 2026.
- The exemption from the commercial-industrial state general tax would have no impact on state revenues in payable year 2025 and thereafter, because the tax rate would be adjusted to yield the amount of revenue required by statute.

**Grand Portage Band Exemption (Section 3)**
*The effective date is beginning with assessment year 2025.*
The proposal would create a property tax exemption for property that:
1) was classified as class 2b for taxes payable in 2024;
2) is located in a county with a population greater than 5,580 but less than 5,620 (according to the 2020 federal census);
3) is located in an unorganized territory with a population less than 800 (according to the 2020 federal census); and
4) was on January 2, 2023, and is for the current assessment, owned by a federally recognized Indian Tribe located within the state of Minnesota.

If the use of the property changes from the use in assessment year 2024, then the property would no longer be eligible for the exemption.

- Property in Cook County owned by the Grand Portage Band of Chippewa would be eligible for the proposed exemption.
- Beginning with taxes payable in 2026, the eligible parcels would no longer receive the School Building Bond Credit, resulting in a savings to the state general fund of less than $5,000 in fiscal year 2027.
- Beginning with taxes payable in 2026, the exemption would shift property taxes away from the eligible parcels and onto all other properties, including homesteads, increasing homeowner property tax refunds by less than $5,000 in fiscal year 2027.

**Leech Lake Band Exemption (Section 4)**
*The effective date is beginning with assessment year 2025.*
The proposal would create a property tax exemption for property that:
1) was classified as class 3a for taxes payable in 2024;
2) is located in a city of the first class with a population greater than 400,000 (as of the 2020 federal census); and
3) was on January 1, 2023, and is for the current assessment, owned by a federally recognized Indian Tribe that is located within the state of Minnesota; and
4) is used exclusively for Tribal purposes or institutions of purely public charity.

Eligible property would be limited to one parcel that does not exceed 40,000 square feet. Property used for single-family housing, market-rate apartments, agriculture, or forestry would not qualify for the exemption.

- Property in Minneapolis owned by the Leech Lake Band of Ojibwe would be eligible for the proposed exemption.
- For taxes payable in 2026 and thereafter, the exemption from the commercial-industrial state general tax would have no impact on state revenues, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- Beginning with taxes payable in 2026, the exemption would shift property taxes away from the eligible parcel and onto all other properties, including homesteads, increasing homeowner property tax refunds by $10,000 in fiscal year 2027.

**Homestead Resort Tiers Increased (Section 5)**
*The effective date is beginning with assessment year 2025.*
Under current law, class 1c homestead resort property has three classification tiers.
The first tier includes the first $600,000 of value and has a classification rate of 0.50%, the second tier includes value over $600,000 and below $2.3 million and has a classification rate of 1.00%, and the third tier includes value over $2.3 million and has a classification rate of 1.25%. Only the third tier is subject to state general property taxes.

The proposal would increase the classification tier limits for class 1c homestead resorts.
The first tier would include the first $1.1 million of value, the second tier would include value between $1.1 million and $3.7 million, and the third tier would include value over $3.7 million. The classification rates for each tier would not change. The third tier would remain subject to state general property taxes.

- For taxes payable in 2024, about 2,000 parcels contain class 1c homestead resort property. The total statewide taxable market value for class 1c property is $780 million and the total net tax capacity is $6.1 million.
- Of the 2,000 parcels containing class 1c property, about 420 have a taxable market value greater than the current first tier limit of $600,000.
- Under current law, 47% of the total class 1c taxable market value statewide is in the first tier, 44% is in the second tier, and 9% is in the third tier.
- The proposal would shift class 1c market value from the higher tiers to the lower tiers. Under the proposal, approximately 67% of total class 1c taxable market value statewide would be in the first tier, 28% in the second tier, and 6% in the third tier.

- By increasing the classification tier limits for homestead resorts, the classification rate for a portion of the value currently above the first tier limit would change from the second tier rate of 1.00% to the first tier rate of 0.50%. Likewise, a portion of the value currently above the second tier limit would change from the third tier rate of 1.25% to the second tier rate of 1.00%. The total statewide net tax capacity for class 1c property would be reduced by approximately 13%.
- The proposal would cause a shift in property taxes away from properties newly qualifying for a lower tier classification rate and onto all other properties, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by $30,000 beginning in fiscal year 2027.

**Homestead Community Land Trust Valuation Modified (Section 6)**
*The effective date is beginning with assessment year 2024.*
The legislature created a new property classification in the 2023 session for homestead community land trust property: class 4d(2). This new property classification was effective beginning with the 2024 assessment. Under this law, all units qualifying for class 4d(2) must have their market value determined using the normal approach to value without regard to any restrictions that apply because the unit is a community land trust property.

The proposal would eliminate the requirement that class 4d(2) homestead community land trust properties be valued using the normal approach to value, meaning that assessors could take into account restrictions that apply to the property.

- According to the Minnesota Community Land Trust Coalition, there are 13 community land trust organizations in Minnesota that have a portfolio of about 1,400 homes throughout the state.
- Under the proposal, assessors may reduce the market value of homestead community land trust properties. It is assumed that all qualifying properties would have their market values lowered under the proposal.
- The proposal would shift property taxes away from class 4d(2) properties whose market values were lowered and onto all other properties, including other homesteads. As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by $50,000 beginning in fiscal year 2026.
- As a result of the decrease in property taxes for class 4d(2) properties with lower market values, property tax refunds paid by the state would decrease by $280,000 beginning in fiscal year 2026.
- The impact on property tax refunds is net of these interactions.

**Exclusion for Veterans with a Disability Increased (Section 7)**
*The effective date is beginning with assessment year 2024.*
The proposal would increase the maximum market value exclusion for homesteads of a veteran with a disability:

- from $150,000 to $200,000 for a veteran with a 70% or greater disability, and
- from $300,000 to $400,000 for a veteran with a total (100%) and permanent disability.

- There are approximately 23,000 homesteads currently receiving the exclusion.
- Under the proposal, approximately 16,000 homesteads would receive a larger exclusion for property taxes payable in 2025.
- The proposal would result in a net savings to the state of $790,000 in fiscal year 2026 due to a reduction in state-paid homeowner property tax refunds (PTR) to qualifying homesteads.
- For taxes payable in 2025, the proposal would reduce state-paid homeowner refunds to qualifying homesteads by $1.36 million, resulting in a savings to the state general fund.
- At the same time, the proposal would shift an estimated $10 million in property taxes onto other properties, including other homesteads, increasing state-paid homeowner refunds by $570,000. The overall savings to the state general fund is net of this cost.
- It is assumed that the number of homesteads that benefit under the proposal will increase by 5% annually; it is further assumed that the average refund will increase by 3% annually.

**Advance Homestead Credit for Seniors Established (Sections 8-10, 13-19, 30)**
*The effective date is beginning with advance payment elections after December 31, 2024 for credits applied to property taxes payable in 2026.*
The proposal would create a new property credit: the advance homestead credit for seniors. The credit would be for a homestead property whose owner is an eligible senior that elects to receive the credit when filing a claim for the homestead credit refund. Property owners would need to attest that they intend to continue to occupy their homestead in the following year when the credit is applied and file a claim for the homestead credit refund for the year they received the credit. Property owners would need to submit an application by August 15 of the year prior to the property taxes payable year in order to receive the credit.

The credit would equal 50 percent of the amount of homestead credit refund the property owner received in the previous year. The credit would apply to the first half payment of property taxes. If the property's credit amount exceeds the first half payment amount, the credit would be reduced so the final first half payment amount is $0. Property owners who choose to receive this credit would have their homestead credit refund reduced by the amount of the credit. If their credit is more than their homestead credit refund, they would have to repay the commissioner the difference.

The commissioner of revenue would calculate and certify the advance homestead credit amounts to county auditors by January 2 each year. County auditors would apply the credit to each qualifying property and certify to the commissioner any reductions to the credit. The commissioner would then reimburse local jurisdictions for the credit on October 31 of the taxes payable year, except for reimbursements related to tax increments, which would be reimbursed on December 26. Reimbursements to school districts would be the same timing as other credits under current law.

The proposal would appropriate $158,000 in fiscal year 2025, $118,000 in fiscal year 2026, and $116,000 in fiscal year 2027 from the general fund to the commissioner of revenue to administer the advance homestead credit for seniors.

- Under the proposal, there would be no change in the property tax refund amount to senior homeowners. Rather, a portion of the refund would be provided as a credit on the property tax statement.

- The state would reimburse local jurisdictions for the credit. Those reimbursement payments would occur in the same year as the current refund payments, so there is no assumed fiscal year shift in state general fund expenditures.
- It is unknown how many senior homeowners would apply to receive the proposed advance credit on their property tax statement for taxes payable in 2026 and beyond.
- Based on the February 2024 forecast, it is projected that approximately 275,000 senior homeowners will file for a homestead property tax refund and receive a total of $380 million for FY 2026. If all senior property tax refund filers elected to receive the 50% advance credit for the following year, the total credit would be approximately $190 million.
- The administrative appropriation to the commissioner of revenue would cost the general fund $158,000 in FY 2025, $118,000 in FY 2026, and $116,000 in FY 2027.

**Land Bank Property Abatement (Sections 20-23)**
*The effective date is the day following final enactment.*
The proposal defines a "land bank organization" as an organization that, at least in part, acquires, holds, or manages vacant, blighted, foreclosed, or tax-forfeited property for future development, redevelopment, or disposal. A "land bank organization" must also be either a nonprofit organization or a limited liability company that has a nonprofit organization as its sole member.

Under current law, an abatement of property taxes may be granted for the purpose of local economic development if the abatement meets one of eight criteria that clearly define the public benefit. Under the proposal, the public benefit criteria would be expanded to include:
(ix) provide for the development of affordable housing to households at or below 80 percent of area median income; or
(x) allow the property to be held by a land bank organization for future development.
Under the proposal, abatements granted on the basis of either (ix) or (x) above would be limited to a period of no more than five years. In addition, an abatement must be repaid with interest if the land for which the abatement was granted is used for a purpose other than the purpose given by the land bank organization prior to redevelopment.

- It is assumed that the only organization with eligible property is Land Bank Twin Cities.
- Under current law, all political subdivisions are required to add back to their current year levies the total estimated amount of all current year economic development abatements.
- Under the proposal, property taxes would shift from the parcels eligible for an abatement onto all other properties in those local jurisdictions, including homesteads.
- Because the levies set in one calendar year are collected as property taxes in the following calendar year, the property tax shift would occur in the year following the abatement.
- Based on data provided by Land Bank Twin Cities, approximately $0.5 million in property taxes are due in 2024 on property potentially eligible for an abatement under the proposal.
- It is assumed that approximately half of Land Bank Twin Cities parcels would receive an abatement for taxes payable in 2024.
- Under this assumption, $0.25 million in property taxes would shift onto other properties beginning with taxes payable in 2025, resulting in a cost to the general fund of $10,000 beginning in fiscal year 2026 due to increased homeowner property tax refunds.

**Local Homeless Prevention Aid One-Time Increase (Sections 24-27, 31)**
*The effective date is beginning with aids payable 2024.*
Under current law, counties receive $17.6 million annually for homeless prevention aid and tribal governments receive $2.4 million. The aid program is set to expire after aids payable 2028.

The proposal would provide a one-time increase in homeless prevention aid for aids payable in 2024. The county appropriation would increase from $17.6 million to $22.0 million and the appropriation for tribal governments would increase from $2.4 million to $3.0 million.

The proposal would also eliminate the expiration date of the aid program and make it permanent for aids payable in 2029 and thereafter.

- A one-time appropriation increase for homeless prevention aid would increase state general fund costs by $5.0 million in fiscal year 2025.
- Removing the expiration date would provide a permanent appropriation of $20 million for homeless prevention aid beginning in fiscal year 2030 and thereafter.

**LGA Penalty Forgiveness – City of Stewart (Section 28)**
*The effective date is day following final enactment.*
The bill would allow the city of Stewart in McLeod County to receive payment for the amount of its 2023 Local Government Aid (LGA) that was withheld for failing to meet financial reporting requirements with the state auditor. The city must file its 2022 financial reports by June 1, 2024. Up to $87,501.50 of the current LGA appropriation would be available for the payment to be made before the end of fiscal year 2024 by June 30, 2024.

- Under the proposal there would be no additional costs to the state general fund in fiscal year 2024 because the money for payment is already appropriated for LGA. Any unpaid LGA payment would not cancel to the state general fund until after June 30, 2024.

**Red Lake Nation Tribal College Exemption (Section 29)**
*The effective date is the day following final enactment.*
Under the proposal, property located in the city of Minneapolis and acquired by Red Lake Nation College Without Borders, LLC in either August 2021 or September 2021 would be exempt from property taxes payable in 2022, and from the portion of property taxes payable in 2021 due after the property was acquired.

The county auditor would certify by August 1, 2024, the amount to be paid by the commissioner of revenue for the retroactive exemption, and the commissioner of revenue would make the payment to the county by August 15, 2024. The amount needed to make the payment would be appropriated from the general fund in fiscal year 2025. All prior year penalties, interest, and costs would be canceled.

- Two parcels acquired by Red Lake Nation College in 2021 would be eligible for the retroactive exemption.
- As part of a private college, both parcels are currently exempt from property taxes.

- Approximately $122,000 in delinquent taxes are due on the eligible parcels for taxes payable in 2021 and 2022, including approximately $24,000 of state general tax.
- Under the proposal, the state general tax amount would not be collected, and the state would pay the remaining $98,000 to Hennepin County in fiscal year 2025.
- Approximately $40,000 in penalties and interest are currently due on the eligible parcels. Under the proposal, the state would not be responsible for paying the accumulated penalties and interest.

## Article 3: Minerals Taxes

**Iron Range School and Community Development Name Changed (Sections 1, 5-6, 8, 9)**
*The effective date is the day following final enactment.*
The proposal would change the name of the Iron Range consolidation and cooperatively operated school account to the Iron Range school and community development account.

- The proposal would have no effect on any fund balances.

**Maximum Increased for the Taconite Homestead Credit (Section 2)**
*The effective date is beginning with taxes payable in 2025.*
Under current law, the taconite homestead credit reduces the property tax paid by owners of certain properties located on the Mesabi and Vermillion ranges located within the Taconite Tax Relief Area. The properties receiving this credit are owner-occupied homes and owner-occupied farms.

If an owner-occupied home or farm is located in a city or town that contained at least 40% of its valuation as iron ore on May 1, 1941, or which had a taconite mine, processing plant, or electric generating facility on January 1, 1977, or currently has a taconite mine, processing plant, or electric generating facility, the taconite credit is 66% of the tax, up to a maximum credit of $315.10.

If the property is not located in such a city or town but is located in a school district containing such a city or town, the taconite credit is 57% of the tax, up to a maximum credit of $289.80.

The taconite homestead credit is funded by the taconite property tax relief account, which is funded by taconite production taxes. If this fund is not sufficient to make these payments, the deficit is made up from the Douglas J. Johnson Economic Protection Fund.

The proposal would increase the maximum credit amount for both the 66% and 57% taconite homestead credits to $515.00.

The proposal would not impact the supplemental taconite homestead credit.

- Under current law, approximately 38,300 parcels received the taconite homestead credit in taxes payable 2023. Of those 38,300 parcels, approximately 35,100, or 92%, received the maximum credit amount of either $315.10 or $289.80.
- Under the proposal, all 35,100 parcels that are at the maximum credit under current law would receive a larger taconite homestead credit. Most of these parcels are expected to qualify for the proposed maximum credit of $515.00.

- The total taconite homestead credit amount would increase by $7.05 million beginning in taxes payable 2025.
- The taxes payable year amounts have been converted to fiscal years for the purpose of this estimate. Credit reimbursement payments for the taconite homestead credit are made over two fiscal years, with 50% paid in each year. The increased credit would cost $3.52 million in fiscal year 2025 and $7.05 million in fiscal year 2026 and beyond.
- The increased credit would be a cost to the taconite property tax relief fund. If the fund is unable to cover to cover the full cost of the credit, the deficit would automatically come from the Douglas J. Johnson Economic Protection Fund.
- Lower property taxes for homeowners receiving a larger credit would reduce property tax refunds, decreasing refunds paid by the state by $850,000 beginning in fiscal year 2026.
- Lower property taxes for homeowners receiving a larger credit would reduce deductions on individual income tax returns, increasing state tax collections by $40,000 beginning in fiscal year 2026.

**Contents of Tax Statements Expanded for Iron Range Fiscal Disparities (Sections 3-4)**
*The effective date is beginning with notices for property taxes payable in 2025.*
Under current law, there are requirements for what is included in the notice of proposed property taxes and property tax statement.

The proposal would add new content to the notice of proposed property taxes and property tax statement for properties subject to Iron Range fiscal disparities taxes. In addition to the current law requirements, the notice and statement would need to include a line showing the fiscal disparities adjustment. The fiscal disparities adjustment would equal the total gross taxes payable minus the sum of the tax amounts for the individual taxing jurisdictions.

- The proposal would have no impact on the state general fund.

**Clarifying Distribution of Gross Proceeds Tax within the Taconite Assistance Area (Section 7)**
*The effective date is beginning with distributions in 2025.*
The proposal clarifies that specific distributions of gross proceeds tax within the taconite assistance area only apply for mining operations occurring within the taconite assistance area.

- The proposal would have no impact on the state general fund.

**Increase Distribution to Range Association of Municipalities and Schools (Section 10)**
*The effective date is beginning with the 2024 distribution.*
Under current law, 0.3 cents per ton of taconite production is allocated to the range association of municipalities and schools.

The proposal would increase this amount to 0.5 cents starting in 2024.

- The changes to the local distribution of taconite production taxes would have no impact on the state general fund.

- The total distribution to the range association of municipalities and schools account would increase by $66,000 beginning in distribution year 2024.
- The distribution year amounts have been converted to fiscal years for the purpose of this estimate. Distributions are made over two fiscal years, with 50% paid in each year. The full 2024 distribution amount would be made in fiscal year 2025 as well as the first half of the 2025 distribution amount. The increased distribution would be $98,000 in fiscal year 2025, $65,000 in fiscal year 2026, and $66,000 in fiscal year 2027 and beyond.
- The increased distribution to the range association of municipalities and schools account would reduce distributions to the Taconite Municipal Aid Account.

**Increase Transfer to School and Community Development Account (Section 11)**
*The effective date is beginning with distributions in 2024.*
Under current law, the Douglas J. Johnson Economic Protection Trust Fund annually transfers $3.5 million to the Iron Range school and community development account.

The proposal would increase this amount to $6.25 million for distributions in 2024, $6.5 million for distributions in 2025-2029, $5.5 million for distributions in 2030-2034, and $5.0 million for distributions in 2035-2036. The transfer amount would return to $3.5 million for distribution year 2037 and thereafter.

- Transfers to the Iron Range school and community development account would increase $2.75 million in fiscal year 2025, $3.0 million for fiscal years 2025-2029, $2.0 million in fiscal years 2030-2034, and $1.5 million in fiscal years 2035-2036.
- These increases would be offset by equal amount reductions in the Douglas J. Johnson Economic Protection Trust Fund.

**Increase Taconite Municipal Aid to Breitung Township (Section 12)**
*The effective date is beginning with the 2024 distribution.*
Under current law, Breitung Township receives $15,000 in Taconite Municipal Aid.

The proposal would increase this amount to $25,000 starting in 2024.

- Starting in fiscal year 2025, Breitung Township would receive additional taconite municipal aid, shifting aid away from other municipalities receiving aid.
- The proposal would not impact the state general fund.

**Use of Funds from the Douglas J. Johnson Economic Protection Trust Fund (Section 13)**
*The effective date is the day following final enactment.*
The proposal would expand the use of funds from Douglas J. Johnson economic trust fund. Revenue from the DJJ would be allowed to fund reserve accounts established to secure payments for bonds repaid from the Iron Range school and community development account.

- The proposal would have no impact on the state general fund.

**IRRR Bonds Authorized for 2024 and 2025 (Section 14-15)**
*The effective date is the day following final enactment.*
The proposal would have Iron Range Resources and Rehabilitation issue revenue bonds of up to $49 million in 2024 and $31 million in 2025 to various government agencies and non-profits. The bonds would be repaid through appropriations from the iron range school and community development account. If the iron range school and community development account is unable to cover to cover the full cost of the bond repayments, the deficit would automatically come from the Douglas J. Johnson Economic Protection Fund.

- Starting in fiscal year 2025, the iron range school and community development account would transfer an estimated $3.9 million to cover the cost of the bonds. This number would increase to $6.3 million in fiscal year 2026 and thereafter.
- The proposal would not impact on the state general fund.

**Transfer to City of Chisholm (Section 16)**
*The effective date is the day following final enactment.*
The proposal would transfer $300,000 from the taconite economic development fund to the city of Chisholm for a bridge. The money would be transferred in August 2024.

- The taconite economic development fund would decrease by $300,000 in fiscal year 2025.
- The proposal would not impact on the state general fund.

## Article 5: Tax Increment Financing

**Ramsey TIF (Section 1)**
*The effective date is following local approval.*
Under current law, special rules apply for a redevelopment tax increment financing (TIF) district in the city of Ramsey relating to the Northstar Transit Station.

The proposal would add another special rule for the TIF district: it would extend the time in which the city is allowed to adopt interfund loan resolutions. Under current law, an interfund loan or advance must be authorized by resolution no later than 60 days after money is transferred, advanced, or spent, whichever is earlier. The proposal would extend that deadline to December 31, 2024.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**Maple Grove TIF (Section 2)**
*The effective date is following local approval.*
Under current law, the city of Maple Grove was allowed to establish tax increment financing (TIF) districts within a defined project area that were subject to special rules as established by the legislature in 2014 and revised in 2017. The project area includes rights-of-way for all present and future highway interchanges abutting the project area.

The proposal would expand the definition of the project area to include rights-of-way for all present and future highway interchanges serving the project area. Some of the special rules that apply to these districts are also modified:

- The five-year rule for development activity to commence is extended from eight years to 13 years.
- The number of years increments from a soil deficiency district may be collected is extended from 20 years to 25 years.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**St. Paul TIF (Section 3)**

*The effective date is following local approval.*

Under current law, special rules apply to the Ford Site Redevelopment Tax Increment Financing (TIF) District in the City of St. Paul, including being allowed to waive increments for up to four years and setting a different certification date if increments are waived.

The proposal would add another special rule for the Ford Site Redevelopment TIF District: it would extend the five-year rule for development activity to commence to ten years.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**Brooklyn Center TIF (Section 4)**

*The effective date is following local approval.*

The proposal would allow the city of Brooklyn Center or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district and allowing increment to be spent on development of the property in the defined area. The authority to establish a TIF district under this authority expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**Brooklyn Park TIF (Sections 5-7)**

*The effective date is following local approval.*

The proposal would allow the city of Brooklyn Park or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts in three locations: the Village Creek Area, the 610/Zane Area, and the Biotech Area. Each location has its own defined area within which a TIF district may be created. Any districts established under this authority would have special rules that apply that would exclude it from requirements for establishing a redevelopment district, allow increment to be spent on development of the property in the defined area, and extend the five-year rule for development activity to commence to ten years. The authority to request certification of any district under this proposal expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**Eden Prairie TIF (Section 8)**
*The effective date is following local approval.*
The proposal would allow the city of Eden Prairie or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply that would exclude it from requirements for establishing a redevelopment district and allowing increment to be spent on development of the property in the defined area. The authority to approve a TIF plan and establish a TIF district under this proposal expires December 31, 2025.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**Edina TIF (Sections 9-10)**
*The effective date is following local approval.*
The proposal would extend the five-year rule for development activity to commence to ten years for two tax increment financing (TIF) districts in the city of Edina: 72nd & France 2 and 70th & France. The proposal would also allow the city of Edina or its housing and redevelopment authority to extend the duration of the 72nd & France 2 TIF District by five years and the 70th & France TIF District by ten years.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**Minnetonka TIF (Section 11)**
*The effective date is following local approval.*
The proposal would extend the five-year rule for development activity to commence to ten years for the renewal and renovation tax increment financing (TIF) district established in 2021 by the city of Minnetonka and its Economic Development Authority.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**Moorhead TIF (Section 12)**
*The effective date is following local approval.*
Under current law, the five-year rule essentially requires development activity for a TIF district to be finished within a five-year period after the certification of the district. After this period has expired, increments may only be spent to pay off obligations that were incurred during the five-year period or for permitted expenditures under pooling. The six-year rule requires districts to be decertified when sufficient increment has been received to pay for these obligations.

The proposal would extend the five-year rule to ten years and the six-year rule to eleven years for Tax Increment Financing (TIF) District No. 31 in the city of Moorhead.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**Plymouth TIF (Section 13)**
*The effective date is following local approval.*
The proposal would allow the city of Plymouth to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district, allowing increment to be spent on development of the property in the defined area, and extending the five-year rule for development activity to commence to ten years. The authority to establish a TIF district under this authority expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

**St. Cloud TIF (Section 14)**
*The effective date is following local approval.*
The proposal would allow the city of St. Cloud or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply, such as excluding it from requirements for establishing a redevelopment district, allowing expenditures incurred to develop the property to count toward the share of increment that must be spent for blight correction, and allowing increment to be spent on reconstruction, expansion, or new construction of adjacent public infrastructure. The authority to establish a TIF district under this authority expires December 31, 2030.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

## Article 8: Public Finance

**Local Government Debt Financing Modified (Sections 1-7)**
*The effective date is July 1, 2024.*
The proposal makes several modifications to local government debt financing. It would expand which educational facility construction projects are exempt from a review and comment period, narrow the types of school construction bonding that require publication and public meetings, narrow which school projects funded through lease purchases are subject to a review and comment period, add construction of a court house or justice center to debt obligations for which the state provides a guarantee, clarify which obligations fall under bond allocation act rules, and adjust the deadline for issuers that receive an allocation from the unified pool to issue obligations.

- There is no assumed impact to the state general fund.

## Article 9: Miscellaneous

**Land Value Taxation Districts Allowed (Sections 3-7)**
*The effective date is beginning with taxes payable 2025.*
Under current law, property taxes are allocated based on the value of land and improvements of a parcel. Improvements may include things like structures and buildings. The proposal would allow cities to create land-value taxation districts in which property taxes would be reallocated using one or more of four methods, including two based solely on land values that would exclude improvements to the parcel.

- Under the proposal it is unknown how many land-value taxations districts would be created.
- The creation of land-value taxation districts may shift taxes away from some parcels and onto others within a district. Depending on the shifting, it is possible the property tax changes may increase or decrease state general fund costs for property tax refunds beginning in fiscal year 2026.

**Emerald Ash Borer Aid Established (Section 8)**
*The effective date is the day following final enactment.*
The proposal would create a one-time $1.0 million aid to local governments to reimburse eligible homeowners for costs incurred for treating or removing trees infested with emerald ash borer since 2020. The state would distribute aid to cities, townships with populations above 10,000, and tribes based on a formula to be determined by the Department of Revenue. Local governments would then use the aid to reimburse homeowners with incomes below 200% of the official poverty guidelines for their eligible costs. Aid amounts would be certified by January 31, 2025, and paid by February 15, 2025.

- The one-time appropriation would increase state general fund costs by $1.0 million in fiscal year 2025. It is assumed the calculated aid would use the full appropriation amount.

**Anoka Soil and Water Conservation District Grant (Section 9)**
*The effective date is the day following final enactment.*
The proposal would provide a one-time appropriation of $50,000 from the state general fund for a grant to the Anoka Soil and Water Conservation District.

- The one-time appropriation will result in a cost to the state general fund of $50,000 in fiscal year 2025.

**Browerville Roof Collapse Grant (Section 10)**
*The effective date is the day following final enactment.*
The proposal would provide a one-time appropriation of $580,000 from the state general fund for a grant to the Browerville public schools. The funds must be used for renovating a building damaged in a 2023 roof collapse.

- The one-time appropriation will result in a cost to the state general fund of $580,000 in fiscal year 2025.

**South St. Paul Grant (Section 11)**
*The effective date is the day following final enactment.*
The proposal would provide a $100,000 grant to the city of South St. Paul in fiscal year 2024. The grant must be used to pay for planning and development costs within the city.

- The one-time appropriation would result in a cost to the state general fund of $100,000 in fiscal year 2024.

## Article 11: Department of Revenue; Property Taxes and Local Government Aids

**Add 4d(2) as an Option for Remaining Market Value of 1b Properties (Section 1)**
*Effective beginning with assessment year 2025.*
Under current law, class 1b homesteads of persons who are blind or disabled receive a classification rate of 0.45% for the first $50,000 of value. Any value over $50,000 receives the same classification rates as 1a residential homesteads and 2a agricultural homestead house, garage, and first acre: 1.00% for value between $50,000 and $500,000 and 1.25% for any value over $500,000.

During the 2023 legislative session, a new homestead property classification was created with a reduced classification rate: class 4d(2) homestead community land trusts. Properties classified as 4d(2) have a classification rate of 0.75%.

The proposal would allow class 1b properties that also qualify for class 4d(2) to receive the reduced classification rate of 0.75% for value over $50,000.

- Approximately 11,100 parcels are at least partially classified as class 1b homesteads of persons who are blind or disabled in assessment year 2023.

- According to the Minnesota Community Land Trust Coalition, there are 13 community land trust organizations in Minnesota that have a portfolio of about 1,400 homes throughout the state.
- It is assumed that the proposal would have no impact on the state general fund.

**Add ITIN Reference to the Abatement Statute (Section 2)**
*Effective retroactively for abatement applications filed in 2023 and thereafter.*
Under current law, an application for an abatement of property taxes must include the Social Security number of the applicant.

The proposal would require an abatement application to include either the Social Security number of the applicant, or the applicant's Individual Taxpayer Identification Number.

- It is assumed that the proposal would have no impact on the state general fund.

**Local Affordable Housing Aid Timing Correction (Section 3)**
*Effective beginning with aids payable in 2024.*
The proposal would make the following timing changes for the certification and payment of the newly created Local Affordable Housing Aid:

- Add July 15 for the commissioner of Management and Budget to certify tax collection balances for each aid account.
- Eliminate a certification of distribution factors required by August 1 of the year before aid is calculated and paid.
- Add a September 1 aid certification date.
- Change the aid payment dates from July 20 and December 26 of the aid calculation year to October 1.

- Changes to certification and payment dates would have no fiscal year impact on the state aid accounts.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
https://www.revenue.state.mn.us/revenue-analyses

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