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State of Minnesota

# HOUSE OF REPRESENTATIVES

**NINETY-SECOND SESSION**

**H. F. No. 105**

01/14/2021 Authored by Davnie, Elkins, Anderson and Gomez
The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to taxation; property; authorizing cities to create land-value taxation districts; proposing coding for new law in Minnesota Statutes, chapter 428A.

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

Section 1. **[428A.30] DEFINITIONS.**

Subdivision 1. **Scope.** For purposes of sections 428A.30 to 428A.34, the terms defined in this section have the meanings given them, unless the context clearly requires otherwise.

Subd. 2. **City.** "City" means a statutory or home rule charter city.

Subd. 3. **District.** "District" means a land-value taxation district established under section 428A.31.

Subd. 4. **Ordinance.** "Ordinance" means the ordinance establishing a land-value taxation district under section 428A.31.

Sec. 2. **[428A.31] ESTABLISHMENT OF LAND-VALUE TAXATION DISTRICT.**

Subdivision 1. **Ordinance.** (a) The governing body of a city may adopt an ordinance establishing a land-value taxation district. The ordinance must describe:

(1) the parcels of property constituting the district, either by specific identification of each parcel, or by defining a geographic area or areas within the city, and then within that area or those areas, identifying the specific types of property, as defined under section 273.13, to be included in the district; and

(2) the procedure for reallocating the collective property tax of all parcels within the district.

(b) In addition, the ordinance must provide for an evaluation of the economic effects of the district, including the impact on redevelopment of and investment in the district, within a specified period of time, but not less than 15 years after the district becomes effective.

Subd. 2. **Hearing; notice.** Before adopting an ordinance, the city must hold a public hearing on the question. Notice of the hearing must include the time and place of the hearing, a description of the parcels to be included in the district, a description of the procedure for reallocating the tax burden among the parcels, and the duration of the district. Each person owning property in the proposed district must be given the opportunity to be heard at the hearing. Notice of the hearing must be published on the city's website and in at least two issues of the official newspaper of the city. The two publications must be two weeks apart and the hearing must be held at least three days after the last publication. Not less than ten days before the hearing, notice must be mailed to the owner of each parcel proposed to be included in the district. For the purpose of the mailed notice, owners are those shown on the records of the county auditor. Other records may be used to supply the necessary information. At the public hearing, a person affected by the proposed district may testify on any issues relevant to the proposed district. The hearing may be adjourned from time to time and the ordinance establishing the district may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city. Within 30 days after adoption of the ordinance, the governing body shall send a copy of the ordinance to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

Sec. 3. **[428A.32] RESTRICTIONS ON TAX REALLOCATION PROCEDURE.**

A tax reallocation procedure under section 428A.31, subdivision 1, paragraph (a), clause (2), must distribute taxes on taxable properties in the district by applying uniform rates to one or more of the following tax bases:

(1) net tax capacity, as defined under section 273.13, subdivision 21b;

(2) referendum market value, as defined under section 126C.01, subdivision 3;

(3) a tax base consisting of each property's estimated market value excluding the market value attributable to improvements; or

(4) a tax base consisting of each property's estimated market value excluding the market value attributable to improvements made after a date specified in the ordinance.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

Sec. 4. **[428A.33] TAXATION WITHIN DISTRICT.**

Subdivision 1. **Initial taxation within district.** For each property taxes payable year, the city must compile the total property taxes imposed upon all properties within the district for each taxing jurisdiction after final property tax statements are issued under section 276.04. For the purposes of this section, the areawide taxes under chapters 276A and 473F, and the state general levy under section 275.025, are considered to be taxing jurisdictions.

Subd. 2. **Final taxation within district.** The city must allocate the tax, as determined under subdivision 1, among all properties in the district according to the terms of the ordinance, such that the entire amount of tax payable to each taxing jurisdiction under subdivision 1 is allocated among the properties constituting the district. The agency must report the revised property tax amounts for each parcel of property to the county treasurer by April 30 of the year the tax is payable. The agency must provide for revised property tax statements to be mailed to all properties within the district by April 30 of the year the tax is payable. Taxpayers must make payments according to the dates specified in section 279.01 as if the property tax statements were mailed 21 days prior to May 15 of the year the taxes are payable.

Subd. 3. **Report to commissioner of revenue.** By September 1 of each year, the county treasurer must report the initial and final distribution of the net tax for each parcel of property in the district to the commissioner of revenue on a form prescribed by the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

Sec. 5. **[428A.34] APPEAL OF LAND VALUE.**

The owner of any property included in a land-value taxation district under section 428A.31 may appeal the valuation attributable to land separately from the valuation attributable to improvements upon the land under sections 274.01 and 274.13 or chapter 271.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.