

Senate Property Taxes
Monday, May 2, 2022
9:00 a.m.

Agenda:

1. [SF 3706 \(Weber\)](#): First tier valuation modification for agricultural homestead property

Committee Documents:

[SF 3706 A-1 \(Property Tax Subcommittee Report\) \(PDF\)](#)

[SF 3706 A-1; Summary \(Property Tax Subcommittee Report\) \(PDF\)](#)

[SENATE FISCAL TRACKING, SF 3706, As Proposed to be Amended SCS3706 A-1 DE Amendment \(PDF\)](#)

SF 3706 will serve as the vehicle for the Senate Property Tax Division Report

Bill Intro

Sen Weber:

- Moves the A1 Amendment (DE). Adopted

Eric Silvia, Senate Counsel:

- Article 1: Property Taxes
 - Section 1 – SF3451, Limited property tax exemption for airport property for cities over 50,000 but less than 150,000
 - Section 2 – SF4158, 10 year property tax exemption for a property in Minneapolis owned by an Indian tribe
 - Section 3 – SF3467, tent year property tax exemption for energy storage systems
 - Section 4 – works along with section 8 and 13 (will discuss later)
 - Section 5 – SF3706, first tier valuation limit for agricultural homestead properties
 - Section 6, 7, 10 – SF3945, Changes to 4d housing designation (approval requirement from cities prior to applications to MHFA)
 - Section 8 – SF3200, Establishes a new affordable housing market value exclusion program (specifically for renters)
 - Section 9 – SF1476, Modifies tier rates for class 1c homestead resort property
 - Section 11 – SF2681 and SF4021, Homestead market value exclusion for veterans with a disability or family caregiver
 - Section 12 – SF3192, Homestead market value exclusion (increases by appx. 20%)
 - Section 13 – Conforming change for section 8
 - Section 14 – SF3898, Clarifies definition for “attachments and appurtenances”
 - Section 15 – Changes to state general levy
 - Section 16 – Adds affordable housing market exclusions and agricultural riparian to property tax statement
 - Section 17&18 – SF2764, Delinquent property taxes, penalties and costs
 - Section 19 – SF2929, Targeting property tax refund and reduces threshold from 12%-10%
 - Section 20-23 – SF3184, SF3803, Senior citizen’s property tax deferral program

- Section 24 – SF3765, Authorizes city of Virginia to finance construction of a public safety building through a federal loan

Bjorn Arneson, Senate Analyst:

- Article 2: Property Tax Aids and Credits
 - Section 1-4 – Agricultural Riparian Buffer Credit
 - SF2868 Goggin
 - Land enrolled in and generating payment under state or federal conservation reserve are not eligible
 - Section 2 – Payment; school districts
 - Section 3 – Computation of net property taxes
 - Section 4 – Notice of proposed property taxes
 - Section 5 – Electric generation transition aid
 - SF3641 Housley
 - Requires public utility to give notice (to the Comm. of revenue) when the utility expects to retire an electric generating unit
 - Section 6 – Mille Lacs County
 - SF3069 Matthews
 - Reimbursements in Mille Lax County for lost property tax revenue due to placement of property into trust by the US Dept. of Indian Affairs
 - Section 7 – Class 4d low-income rental property 24/25 transition aid
 - SF3945
 - Establishes 4d transition aid for cities tax exceed 2% of the total net tax capacity
 - Section 8 -12 – Aid penalty forgiveness for Cities
 - Section 8, Roosevelt SF1052
 - Section 9, Bena SF4535
 - Section 10, Boy River SF4532
 - Section 11, Echo SF2788
 - Section 12, Morton SF3289

Eric Silvia, Senate Counsel

- Article 3: Tax Increment Financing
 - Section 1-4, and 6-12 – SF 4086
 - Section 1 –Administrative expenses
 - Section 2 – Pay-as-you-go contract and note
 - Section 3 – Limitation on administrative expenses
 - Section 4 – Limitation on use of tax increment; general rule
 - Section 6 – Expenditures outside district
 - Section 7 – Five-year rule
 - Section 8 – Use of revenues for decertification
 - Section 9 – Pooling permitted for deficits
 - Section 10 – Collection of increment
 - Section 11 – Suspension of distribution of tax increment
 - Section 12 – Expenditure of increment
 - Section 5 – Economic development districts

- SF3519
 - Allows increments generated from an economic development district to be spent on multi-level commercial facility in a small city
- Section 13 – City of Savage
 - SF3970
- Section 14 – City of Shakopee
- Section 15 – City of Woodbury
 - SF2976

Jay Willms, Senate Fiscal Analyst:

- Changes are in three different sections
 - General Fund Revenue Changes
 - Total reduction in forecast – \$22.64 million
 - General Fund Expenditure Changes
 - Subtotal Property Tax Refunds and Credit - \$8.03 million
 - Net effects – Reduction of \$5.1 million in FY23, \$15.4 in FY24, \$17.2 in FY25
 - Non-Budget Items
- Updated spreadsheet will be released tomorrow – error in allocations

Member Discussion

Sen. Weber:

- Includes issues that have been before the Legislature before and also previously created by the Legislature
- Main elements of property taxes are increase in homestead exemption amounts, changes to 4D housing, and the buffer credit
- Value freeze inclusion is drafted and a potential addition

Sen. Klein:

- Balanced bill that addresses serious concerns of Minnesotans
 - Rapid increase to property valuation
- Concerns with the total elimination of corporate industrial levy by 2035, what would the impact be to the general fund?
 - Jay Willms, Senate Fiscal Analyst: The impact would be 10% every year (\$746 million annually)
- This would be a huge impact to the general fund (\$1.5 billion by 2035) and should look at the language closely

Sen. Weber: Lays the bill on the table and will be taken up for amendments and public testimony tomorrow