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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 3040

04/30/2012 Authored by Loon  
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to the metropolitan area fiscal disparities program; eliminating  
1.3 inflationary growth from the areawide pool; phasing down the contribution  
1.4 percentage; eliminating the 1971 base value subtraction; limiting distributions  
1.5 from the pool for certain municipalities; modifying the definition of fiscal  
1.6 capacity; providing for a portion of the areawide pool to be used for economic  
1.7 development by funding certain costs related to light rail transit; amending  
1.8 Minnesota Statutes 2010, sections 473.4051, subdivision 2; 473F.02, subdivision  
1.9 14, by adding a subdivision; 473F.06; 473F.07, subdivisions 1, 4; 473F.08,  
1.10 subdivisions 2, 5, 6, 7a.

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

1.12 Section 1. Minnesota Statutes 2010, section 473.4051, subdivision 2, is amended to  
1.13 read:

1.14 Subd. 2. **Operating costs.** After operating revenue and federal money have been  
1.15 used to pay for light rail transit operations, 50 percent of the remaining operating costs  
1.16 must be paid ~~by the state~~ from the areawide pool under chapter 473F. By July 1 of  
1.17 each year, the council shall certify the amount necessary to fulfill this obligation in the  
1.18 following calendar year to the administrative auditor determined under section 473F.03.

1.19 **EFFECTIVE DATE.** This section is effective July 1, 2013, for property taxes  
1.20 payable in 2014 and thereafter.

1.21 Sec. 2. Minnesota Statutes 2010, section 473F.02, is amended by adding a subdivision  
1.22 to read:

1.23 Subd. 13a. **Aid-equivalent market value.** For any municipality receiving aid  
1.24 under sections 477A.011 to 477A.03, its "aid-equivalent market value" is its aid received  
1.25 divided by the average class rate for the area, further divided by the average municipal

2.1 tax rate within the area. For the purposes of this subdivision, the "average class rate for  
 2.2 the area" means the total tax capacity for the area divided by the total estimated market  
 2.3 value of the area. For the purposes of this subdivision, the "average municipal tax rate  
 2.4 within the area" means the total levy of all municipalities in the area divided by the total  
 2.5 tax capacity of the area.

2.6 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
 2.7 distribution tax capacities for taxes payable in 2014 and thereafter.

2.8 Sec. 3. Minnesota Statutes 2010, section 473F.02, subdivision 14, is amended to read:

2.9 Subd. 14. **Fiscal capacity.** "Fiscal capacity" of a municipality means its valuation,  
 2.10 determined as of January 2 of any year, plus its aid-equivalent market value, divided by  
 2.11 its population, determined as of a date in the same year.

2.12 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
 2.13 distribution tax capacities for taxes payable in 2014 and thereafter.

2.14 Sec. 4. Minnesota Statutes 2010, section 473F.06, is amended to read:

2.15 **473F.06 INCREASE IN CONTRIBUTION NET TAX CAPACITY.**

2.16 (a) For fiscal disparities contribution tax capacities for taxes payable in 2014, on or  
 2.17 before July 15 of each year, 2013, the auditor of each county in the area shall determine the  
 2.18 amount, if any, by which an amount equal to 37 percent of the net tax capacity determined  
 2.19 in the preceding year under section 473F.05, of commercial-industrial property subject to  
 2.20 taxation within each municipality in the auditor's county exceeds the net tax capacity in  
 2.21 1971 of commercial-industrial property subject to taxation within that municipality. If  
 2.22 a municipality is located in two or more counties within the area, the auditors of those  
 2.23 counties shall certify the data required by section 473F.05 to the county auditor who is  
 2.24 responsible under other provisions of law for allocating the levies of that municipality  
 2.25 between or among the affected counties. That county auditor shall determine the amount  
 2.26 of the net excess, if any, for the municipality under this section, and certify that amount  
 2.27 under section 473F.07. Notwithstanding any other provision of sections 473F.01 to  
 2.28 473F.13 to the contrary, in the case of a municipality which is designated on July 24,  
 2.29 1971, as a redevelopment area under section 401(a)(4) of the Public Works and Economic  
 2.30 Development Act of 1965, Public Law 89-136, the increase in its net tax capacity of  
 2.31 commercial-industrial property for purposes of this section shall be determined in each  
 2.32 year by using as a base the net tax capacity of commercial-industrial property in that  
 2.33 municipality in the 1989 assessment year, rather than the net tax capacity of such property

3.1 ~~in 1971.~~ The increase in total net tax capacity determined by this section shall be reduced  
3.2 by the amount of any decreases in net tax capacity of commercial-industrial property  
3.3 resulting from any court decisions, court related stipulation agreements, or abatements  
3.4 for a prior year, and only in the amount of such decreases made during the 12-month  
3.5 period ending on May 1 of the current assessment year, where such decreases, if originally  
3.6 reflected in the determination of a prior year's net tax capacity under section 473F.05,  
3.7 would have resulted in a smaller contribution from the municipality in that year. An  
3.8 adjustment for such decreases shall be made only if the municipality made a contribution  
3.9 in a prior year based on the higher net tax capacity of the commercial-industrial property.

3.10 (b) For fiscal disparities contribution tax capacities for taxes payable in 2015, the  
3.11 auditor of each county in the area shall determine an amount equal to 35/37 of the amount  
3.12 certified under this subdivision for the previous year, plus 35 percent of the net tax  
3.13 capacity due to new construction of commercial-industrial property or reclassification of  
3.14 property to commercial-industrial within the municipality for the current year.

3.15 (c) For fiscal disparities contribution tax capacities for taxes payable in 2016, the  
3.16 auditor of each county in the area shall determine an amount equal to 33/35 of the amount  
3.17 certified under this subdivision for the previous year, plus 33 percent of the net tax  
3.18 capacity due to new construction of commercial-industrial property or reclassification of  
3.19 property to commercial-industrial within the municipality for the current year.

3.20 (d) For fiscal disparities contribution tax capacities for taxes payable in 2017, the  
3.21 auditor of each county in the area shall determine an amount equal to 31/33 of the amount  
3.22 certified under this subdivision for the previous year, plus 31 percent of the net tax  
3.23 capacity due to new construction of commercial-industrial property or reclassification of  
3.24 property to commercial-industrial within the municipality for the current year.

3.25 (e) For fiscal disparities contribution tax capacities for taxes payable in 2018, the  
3.26 auditor of each county in the area shall determine an amount equal to 29/31 of the amount  
3.27 certified under this subdivision for the previous year, plus 29 percent of the net tax  
3.28 capacity due to new construction of commercial-industrial property or reclassification of  
3.29 property to commercial-industrial within the municipality for the current year.

3.30 (f) For fiscal disparities contribution tax capacities for taxes payable in 2019, the  
3.31 auditor of each county in the area shall determine an amount equal to 27/29 of the amount  
3.32 certified under this subdivision for the previous year, plus 27 percent of the net tax  
3.33 capacity due to new construction of commercial-industrial property or reclassification of  
3.34 property to commercial-industrial within the municipality for the current year.

3.35 (g) For fiscal disparities contribution tax capacities for taxes payable in 2020, the  
3.36 auditor of each county in the area shall determine an amount equal to 25/27 of the amount

4.1 certified under this subdivision for the previous year, plus 25 percent of the net tax  
 4.2 capacity due to new construction of commercial-industrial property or reclassification of  
 4.3 property to commercial-industrial within the municipality for the current year.

4.4 (h) For fiscal disparities contribution tax capacities for taxes payable in 2021, the  
 4.5 auditor of each county in the area shall determine an amount equal to 23/25 of the amount  
 4.6 certified under this subdivision for the previous year, plus 23 percent of the net tax  
 4.7 capacity due to new construction of commercial-industrial property or reclassification of  
 4.8 property to commercial-industrial within the municipality for the current year.

4.9 (i) For fiscal disparities contribution tax capacities for taxes payable in 2022, the  
 4.10 auditor of each county in the area shall determine an amount equal to 21/23 of the amount  
 4.11 certified under this subdivision for the previous year, plus 21 percent of the net tax  
 4.12 capacity due to new construction of commercial-industrial property or reclassification of  
 4.13 property to commercial-industrial within the municipality for the current year.

4.14 (j) For fiscal disparities contribution tax capacities for taxes payable in 2023, the  
 4.15 auditor of each county in the area shall determine an amount equal to 20/21 of the amount  
 4.16 certified under this subdivision for the previous year, plus 20 percent of the net tax  
 4.17 capacity due to new construction of commercial-industrial property or reclassification of  
 4.18 property to commercial-industrial within the municipality for the current year.

4.19 (k) For fiscal disparities contribution tax capacities for taxes payable in 2024 and  
 4.20 thereafter, the auditor of each county in the area shall determine an amount equal to the  
 4.21 amount certified under this subdivision for the previous year, plus 20 percent of the net tax  
 4.22 capacity due to new construction of commercial-industrial property or reclassification of  
 4.23 property to commercial-industrial within the municipality for the current year.

4.24 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
 4.25 distribution tax capacities for taxes payable in 2014 and thereafter.

4.26 Sec. 5. Minnesota Statutes 2010, section 473F.07, subdivision 1, is amended to read:

4.27 Subdivision 1. **Areawide net tax capacity.** (a) Each county auditor shall certify  
 4.28 the determinations under sections 473F.05 and 473F.06 to the administrative auditor on  
 4.29 or before August 1 of each year.

4.30 The administrative auditor shall determine an amount equal to ~~40 percent of the sum~~  
 4.31 ~~of~~ the amounts certified under section 473F.06. The resulting amount shall be known as  
 4.32 the "areawide net tax capacity for .....(year)."

4.33 (b) Each year, the administrative auditor must divide the amount certified by the  
 4.34 Metropolitan Council for light rail transit operations under section 473.4051, subdivision  
 4.35 2, by the areawide tax rate for the previous year to determine a tax capacity set-aside for

5.1 light rail transit operating costs. The auditor must subtract that amount from the amount  
 5.2 determined in paragraph (a) to determine the areawide net tax capacity available for  
 5.3 distribution for the year.

5.4 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
 5.5 distribution tax capacities for taxes payable in 2014 and thereafter.

5.6 Sec. 6. Minnesota Statutes 2010, section 473F.07, subdivision 4, is amended to read:

5.7 Subd. 4. **Distribution net tax capacity.** (a) The administrative auditor shall  
 5.8 determine the preliminary distribution net tax capacity as the proportion which the index  
 5.9 of each municipality bears to the sum of the indices of all municipalities and shall then  
 5.10 multiply this proportion in the case of each municipality, by the areawide net tax capacity  
 5.11 available for distribution.

5.12 (b) For each municipality whose fiscal capacity exceeds the average fiscal capacity,  
 5.13 the final distribution net tax capacity is equal to the lesser of (1) its contribution net tax  
 5.14 capacity, or (2) its preliminary distribution net tax capacity multiplied by the adjustment  
 5.15 factor determined in paragraph (d).

5.16 (c) For each municipality whose fiscal capacity is less than or equal to the average  
 5.17 fiscal capacity, the final distribution net tax capacity is equal to its preliminary distribution  
 5.18 net tax capacity multiplied by the adjustment factor determined in paragraph (d).

5.19 (d) The administrative auditor must determine an adjustment factor such that the  
 5.20 total final distribution net tax capacity of all municipalities is equal to the areawide tax  
 5.21 capacity available for distribution.

5.22 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
 5.23 distribution tax capacities for taxes payable in 2014 and thereafter.

5.24 Sec. 7. Minnesota Statutes 2010, section 473F.08, subdivision 2, is amended to read:

5.25 Subd. 2. **Computation of net tax capacity.** The net tax capacity of a governmental  
 5.26 unit is its net tax capacity, as determined in accordance with other provisions of law  
 5.27 including section 469.177, subdivision 3, subject to the following adjustments:

5.28 (a) There shall be subtracted from its net tax capacity, in each municipality in which  
 5.29 the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears  
 5.30 the same proportion to ~~40 percent~~ of the amount certified in that year under sections  
 5.31 473F.06 and 473F.07 for the municipality as the total preceding year's net tax capacity  
 5.32 of commercial-industrial property which is subject to the taxing jurisdiction of the  
 5.33 governmental unit within the municipality, determined without regard to section 469.177,

6.1 subdivision 3, bears to the total preceding year's net tax capacity of commercial-industrial  
 6.2 property within the municipality, determined without regard to section 469.177,  
 6.3 subdivision 3;

6.4 (b) There shall be added to its net tax capacity, in each municipality in which the  
 6.5 governmental unit exercises ad valorem taxing jurisdiction, an amount which bears  
 6.6 the same proportion to the areawide net tax capacity for the year attributable to that  
 6.7 municipality as the total preceding year's net tax capacity of residential property which is  
 6.8 subject to the taxing jurisdiction of the governmental unit within the municipality bears to  
 6.9 the total preceding year's net tax capacity of residential property of the municipality.

6.10 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
 6.11 distribution tax capacities for taxes payable in 2014 and thereafter.

6.12 Sec. 8. Minnesota Statutes 2010, section 473F.08, subdivision 5, is amended to read:

6.13 Subd. 5. **Areawide tax rate.** On or before August 25 of each year, the county auditor  
 6.14 shall certify to the administrative auditor that portion of the levy of each governmental unit  
 6.15 determined under subdivisions 3, clause (a), 3a, and 3b, plus the amount certified under  
 6.16 section 473.4051, subdivision 2, which shall be treated as a supplemental distribution levy  
 6.17 to the Metropolitan Council by the Ramsey County auditor. The administrative auditor  
 6.18 shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of  
 6.19 such levies from the areawide net tax capacity. On or before September 1 of each year, the  
 6.20 administrative auditor shall certify the areawide tax rate to each of the county auditors.

6.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
 6.22 thereafter.

6.23 Sec. 9. Minnesota Statutes 2010, section 473F.08, subdivision 6, is amended to read:

6.24 Subd. 6. **Application to commercial-industrial property.** The areawide tax rate  
 6.25 determined in accordance with subdivision 5 shall apply to each commercial-industrial  
 6.26 property subject to taxation within a municipality, including property located within any  
 6.27 tax increment financing district, as defined in section 469.174, subdivision 9, to that  
 6.28 portion of the net tax capacity of the item which bears the same proportion to its total  
 6.29 net tax capacity as ~~40 percent of~~ the amount determined under sections 473F.06 and  
 6.30 473F.07 is to the amount determined under section 473F.05. The tax rate determined in  
 6.31 accordance with subdivision 4 shall apply in the taxation of the remainder of the net  
 6.32 tax capacity of the item.

7.1 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
7.2 distribution tax capacities for taxes payable in 2014 and thereafter.

7.3 Sec. 10. Minnesota Statutes 2010, section 473F.08, subdivision 7a, is amended to read:

7.4 Subd. 7a. **Certification of values; payment.** The administrative auditor shall  
7.5 determine for each county the difference between the total levy on distribution value  
7.6 pursuant to subdivisions 3, clause (a), 3a, and 3b, including the amount certified under  
7.7 section 473.4051, subdivision 2, within the county and the total tax on contribution value  
7.8 pursuant to subdivision 6, within the county. On or before May 16 of each year, the  
7.9 administrative auditor shall certify the differences so determined to each county auditor.  
7.10 In addition, the administrative auditor shall certify to those county auditors for whose  
7.11 county the total tax on contribution value exceeds the total levy on distribution value the  
7.12 settlement the county is to make to the other counties of the excess of the total tax on  
7.13 contribution value over the total levy on distribution value in the county. On or before June  
7.14 15 and November 15 of each year, each county treasurer in a county having a total tax on  
7.15 contribution value in excess of the total levy on distribution value shall pay one-half of the  
7.16 excess to the other counties in accordance with the administrative auditors certification.

7.17 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
7.18 thereafter.