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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 938

02/16/2015 Authored by Dill
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 taxation; local government aid; allowing unorganized territories to be
1.3 eligible for township aid; amending Minnesota Statutes 2014, sections 477A.013,
1.4 subdivision 1; 477A.014, subdivision 1; 477A.03, subdivision 2c.

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

1.6 Section 1. Minnesota Statutes 2014, section 477A.013, subdivision 1, is amended to
1.7 read:

1.8 Subdivision 1. **Towns and unorganized territories.** In ~~2014~~ 2016 and thereafter,
1.9 each town and the total area of any unorganized territory within a county is eligible for
1.10 a distribution under this subdivision equal to the product of (i) its agricultural property
1.11 factor, (ii) its ~~town~~ area factor, (iii) its population factor, and (iv) 0.0045. As used in this
1.12 subdivision, the following terms have the meanings given them:

1.13 (1) "agricultural property factor" means the ratio of the adjusted net tax capacity of
1.14 agricultural property located in a town; or unorganized territory divided by the adjusted
1.15 net tax capacity of all other property located in the town or unorganized territory. The
1.16 agricultural property factor cannot exceed eight;

1.17 (2) "agricultural property" means property classified under section 273.13, as
1.18 homestead and nonhomestead agricultural property, rural vacant land, and noncommercial
1.19 seasonal recreational property;

1.20 (3) "~~town~~ area factor" means the most recent estimate of total acreage, not to exceed
1.21 50,000 acres, ~~located in the~~ case of a township, or 75,000 acres in the case of unorganized
1.22 territory, available as of July 1 in the aid calculation year, estimated or established by:

1.23 (i) the United States Bureau of the Census;

2.1 (ii) the ~~State Land Management Information Center~~ Minnesota Geospatial
 2.2 Information Office; or

2.3 (iii) the secretary of state; and

2.4 (4) "population factor" means the square root of the ~~towns'~~ town's or unorganized
 2.5 territory's population.

2.6 If the sum of the aids payable to all towns and unorganized territories under this
 2.7 subdivision exceeds the limit under section 477A.03, subdivision 2c, the distribution to
 2.8 each town and unorganized territory must be reduced proportionately so that the total
 2.9 amount of aids distributed under this section does not exceed the limit in section 477A.03,
 2.10 subdivision 2c.

2.11 **EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

2.12 Sec. 2. Minnesota Statutes 2014, section 477A.014, subdivision 1, is amended to read:

2.13 Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue shall
 2.14 make all necessary calculations and make payments pursuant to sections 477A.013 and
 2.15 477A.03 directly to the affected taxing authorities annually. In addition, the commissioner
 2.16 shall notify the authorities of their aid amounts, as well as the computational factors used
 2.17 in making the calculations for their authority, and those statewide total figures that are
 2.18 pertinent, before August 1 of the year preceding the aid distribution year. In the case of
 2.19 unorganized territory, the commissioner shall notify the affected county government of
 2.20 the aid amount for any unorganized territory within the county and make payments of aid
 2.21 payable based on unorganized territory to the county government.

2.22 (b) For the purposes of this subdivision, aid is determined for a city or₂ town₂
 2.23 or unorganized territory based on its city or₂ town₂ or unorganized territory status as
 2.24 of June 30 of the year preceding the aid distribution year. If the effective date for a
 2.25 municipal incorporation, consolidation, annexation, detachment, dissolution, or township
 2.26 organization is on or before June 30 of the year preceding the aid distribution year, such
 2.27 change in boundaries or form of government shall be recognized for aid determinations for
 2.28 the aid distribution year. If the effective date for a municipal incorporation, consolidation,
 2.29 annexation, detachment, dissolution, or township organization is after June 30 of the year
 2.30 preceding the aid distribution year, such change in boundaries or form of government shall
 2.31 not be recognized for aid determinations until the following year.

2.32 (c) Changes in boundaries or form of government will only be recognized for the
 2.33 purposes of this subdivision, to the extent that: (1) changes in market values are included
 2.34 in market values reported by assessors to the commissioner, and changes in population
 2.35 and household size are included in their respective certifications to the commissioner as

3.1 referenced in section 477A.011, or (2) an annexation information report as provided in
 3.2 paragraph (d) is received by the commissioner on or before July 15 of the aid calculation
 3.3 year. Revisions to estimates or data for use in recognizing changes in boundaries or form
 3.4 of government are not effective for purposes of this subdivision unless received by the
 3.5 commissioner on or before July 15 of the aid calculation year. Clerical errors in the
 3.6 certification or use of estimates and data established as of July 15 in the aid calculation
 3.7 year are subject to correction within the time periods allowed under subdivision 3.

3.8 (d) In the case of an annexation, an annexation information report may be completed
 3.9 by the annexing jurisdiction and submitted to the commissioner for purposes of this
 3.10 subdivision if the net tax capacity of annexed area for the assessment year preceding the
 3.11 effective date of the annexation exceeds five percent of the city's net tax capacity for the
 3.12 same year. The form and contents of the annexation information report shall be prescribed
 3.13 by the commissioner. The commissioner shall change the net tax capacity, the population,
 3.14 the population decline, the commercial industrial percentage, and the transformed
 3.15 population for the annexing jurisdiction only if the annexation information report provides
 3.16 data the commissioner determines to be reliable for all of these factors used to compute city
 3.17 revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940
 3.18 housing percentage and household size only if the entire area of an existing city or town
 3.19 or unorganized territory is annexed or consolidated and only if reliable data is available
 3.20 for all of these factors used to compute city revenue need for the annexing jurisdiction.

3.21 **EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.

3.22 Sec. 3. Minnesota Statutes 2014, section 477A.03, subdivision 2c, is amended to read:

3.23 Subd. 2c. **Towns and unorganized territories.** For aids payable in ~~2014~~ 2016
 3.24 and thereafter, the total aids paid under section 477A.013, subdivision 1, is limited to
 3.25 ~~\$10,000,000~~ \$10,260,000. ~~For aids payable in 2015 and thereafter, the total aids paid~~
 3.26 ~~under section 477A.013, subdivision 1, is limited to the amount certified to be paid in~~
 3.27 ~~the previous year.~~

3.28 **EFFECTIVE DATE.** This section is effective for aids payable in 2016 and thereafter.