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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH
SESSION

HOUSE FILE No. **481**

February 14, 2011

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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 property taxes; freezing property taxes for certain local governments
1.3 at 2010 pay levels; prohibiting certain local government actions that would
1.4 increase property tax levies; providing exceptions.

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

1.6 Section 1. **DEFINITION; LOCAL TAXING AUTHORITY.**

1.7 For purposes of this act, "local taxing authority" means a county, home rule charter
1.8 or statutory city, or special taxing district under Minnesota Statutes, section 275.066, but
1.9 excludes school districts.

1.10 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012.

1.11 Sec. 2. **LEVY LIMITATION FOR TAXES PAYABLE IN 2012.**

1.12 Subdivision 1. **Proposed levy.** Notwithstanding any other law to the contrary, for
1.13 purposes of the certification required by Minnesota Statutes, section 275.065, subdivision
1.14 1, in 2011, no local taxing authority shall certify to the county auditor a proposed property
1.15 tax levy.

1.16 Subd. 2. **Final levy.** Notwithstanding any other law to the contrary, for purposes of
1.17 the certification required by Minnesota Statutes, section 275.07, subdivision 1, in 2011, no
1.18 local taxing authority shall certify to the county auditor a property tax levy greater than
1.19 the amount certified to the county auditor pursuant to Minnesota Statutes, section 275.07,
1.20 subdivision 1, in the prior year, except as provided in this section.

1.21 Subd. 3. **Debt service exception.** Notwithstanding the limitations in subdivisions 1
1.22 and 2, a local taxing authority may levy for taxes payable in 2012 an amount in excess of
1.23 the levy certified pursuant to Minnesota Statutes, section 275.07, subdivision 1, in 2010,

2.1 for debt service on obligations, certificates of indebtedness, capital notes, or other debt
2.2 instruments sold prior to June 1, 2010, or to make payments on installment purchase
2.3 contracts or lease purchase agreements entered into before June 1, 2006. The amount that
2.4 may be levied in excess of the limits set in subdivisions 1 and 2 may not exceed the
2.5 difference between what the taxing authority needs to levy for taxes payable in 2012 for
2.6 that purpose and the amount it levied for that purpose for taxes payable in 2011.

2.7 Subd. 4. **Annexation exception.** The city tax rate for taxes payable in 2012 on
2.8 any property annexed under Minnesota Statutes, chapter 414, may not be increased
2.9 over the city or township tax rate in effect on the property for taxes payable in 2011,
2.10 notwithstanding any law, municipal board order, or ordinance to the contrary. The limit on
2.11 the annexing city's levy under subdivisions 1 and 2 is increased by an amount equal to
2.12 the net tax capacity of the property annexed multiplied by the city or township tax rate in
2.13 effect for that property for taxes payable in 2011. The levy limit under subdivisions 1 and
2.14 2 for the city from which the property is annexed is reduced by the same amount.

2.15 Subd. 5. **Election exception.** Notwithstanding the limitations in subdivisions 1 and
2.16 2, a local taxing authority may levy an additional levy in any amount if approved by a
2.17 majority of the voters as provided in Minnesota Statutes, section 275.73.

2.18 **EFFECTIVE DATE.** This section is effective for taxes levied in 2011, payable
2.19 in 2012.

2.20 **Sec. 3. PROHIBITION AGAINST INCURRING NEW DEBT.**

2.21 Subdivision 1. **Actions prohibited.** (a) After May 30, 2010, no local taxing
2.22 authority may sell obligations, certificates of indebtedness, capital notes, or other debt
2.23 instruments under Minnesota Statutes, section 412.301, chapter 475, or any other law;
2.24 nor may it enter into installment purchase contracts or lease purchase agreements under
2.25 Minnesota Statutes, section 465.71, or any other law if issuing those debt instruments or
2.26 entering into those contracts would require a levy first becoming payable in 2012.

2.27 (b) For purposes of this section, "obligations" includes certificates of indebtedness,
2.28 capital notes, other debt instruments, installment purchase contracts, and lease purchase
2.29 agreements.

2.30 Subd. 2. **Exceptions.** This prohibition does not apply to:

2.31 (1) refunding bonds sold to refund bonds originally sold before June 1, 2011;

2.32 (2) obligations for which the amount of the levy payable in 2012 would not exceed
2.33 the difference between (i) the local taxing authority's total debt service levy for taxes
2.34 payable in 2011 and (ii) its total debt service levy for taxes payable in 2012 prior to
2.35 issuance of these obligations; and

3.1 (3) obligations with respect to which the local taxing authority makes a finding at
 3.2 the time of the issuance of the obligation that no levy is required to meet the obligation
 3.3 for taxes payable in 2012, or that sufficient funds are available from a nonproperty tax
 3.4 source to fund the obligation.

3.5 Subd. 3. **Date when bonds are deemed sold.** For purposes of this section, bonds
 3.6 are deemed to have been sold before June 30, 2011, if:

3.7 (1) an agreement has been entered into between the local taxing authority and a
 3.8 purchaser or underwriter for the sale of the bonds by that date;

3.9 (2) the issuing local taxing authority is a party to a contract or letter of understanding
 3.10 entered into before June 1, 2011, with the federal government or the state government that
 3.11 requires the local taxing authority to pay for a project and the project is funded with the
 3.12 proceeds of the bonds; or

3.13 (3) the proceeds of the bonds are used to fund a project or acquisition with respect
 3.14 to which the local taxing authority has entered into a contract with a builder or supplier
 3.15 before June 1, 2011.

3.16 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012.

3.17 **Sec. 4. BENEFIT RATIO FOR RURAL SERVICE DISTRICTS.**

3.18 Notwithstanding Minnesota Statutes, section 272.67, subdivision 6, the benefit ratio
 3.19 used for apportioning levies to a rural service district for taxes payable in 2012 must not
 3.20 be greater than that in effect for taxes payable in 2011.

3.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012.

3.22 **Sec. 5. FREEZE ON LOCAL MATCH REQUIREMENTS.**

3.23 Notwithstanding any other law to the contrary, the local funding or local match
 3.24 required from any local taxing authority for any state grant or program shall not be
 3.25 increased for calendar year 2012 above the dollar amount for the local funding or local
 3.26 match for the same grant or program in 2011, regardless of the level of state funding
 3.27 provided. Any local match or local funding requirement that first becomes effective after
 3.28 December 31, 2011, for new or changed state grants or programs is not effective for a
 3.29 local taxing authority until after December 31, 2012. Nothing in this section affects the
 3.30 eligibility of, or reduces the funding level to, a local taxing authority subject to the levy
 3.31 limits in section 1 if the local match requirements of the program were met in 2011.

3.32 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012.

4.1 Sec. 6. **SUSPENSION OF SALARY AND BUDGET APPEAL**
4.2 **AUTHORIZATION.**

4.3 After March 1, 2011, no county sheriff may exercise the authority granted under
4.4 Minnesota Statutes, section 387.20, subdivision 7, and no county attorney may exercise
4.5 the authority granted under Minnesota Statutes, section 388.18, subdivision 6, to the
4.6 extent that the salary or budget increase sought in the appeal would result in an increase
4.7 in county expenditures in calendar year 2012 above the level in calendar year 2011 for
4.8 the same purpose.

4.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012.

4.10 Sec. 7. **PENSION LIABILITIES.**

4.11 Notwithstanding any other law or charter provision to the contrary, no levy for taxes
4.12 payable in 2012 for a local police or fire relief association for the purpose of amortizing the
4.13 unfunded pension liability may exceed the levy for that purpose for taxes payable in 2011.

4.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012.

4.15 Sec. 8. **SAVINGS CLAUSE.**

4.16 Notwithstanding any provision in this act, the provisions of this act neither constitute
4.17 an impairment of any obligation, certificate of indebtedness, capital note, or other debt
4.18 instrument sold prior to June 1, 2011, nor does it constitute an impairment on the ability
4.19 of a local taxing authority to make payments on installment purchase contracts or lease
4.20 purchase agreements entered into by a local taxing authority, other than a school district,
4.21 before June 1, 2011.

4.22 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012.