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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 596

02/05/2015 Authored by Drazkowski, Miller, Davids, Marquart, Gunther and others
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to property taxation; providing that bonded debt authorizations approved
1.3 after June 30, 2015, be levied against referendum market value; amending
1.4 Minnesota Statutes 2014, sections 123B.53, subdivisions 1, 4, 5, 6, by adding
1.5 subdivisions; 123B.55; 275.61.

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

1.7 Section 1. Minnesota Statutes 2014, section 123B.53, subdivision 1, is amended to read:

1.8 Subdivision 1. **Definitions.** (a) For purposes of this section, the total eligible debt
1.9 service revenue of a district is defined as follows:

1.10 (1) the amount needed to produce between five and six percent in excess of the
1.11 amount needed to meet when due the principal and interest payments on the obligations
1.12 of the district for eligible projects according to subdivision 2, including the amounts
1.13 necessary for repayment of energy loans according to section 216C.37 or sections 298.292
1.14 to 298.298, debt service loans and capital loans, lease purchase payments under section
1.15 126C.40, subdivision 2, alternative facilities levies under section 123B.59, subdivision
1.16 5, paragraph (a), minus

1.17 (2) the amount of debt service excess levy reduction for that school year calculated
1.18 according to the procedure established by the commissioner.

1.19 (b) The obligations in this paragraph are excluded from eligible debt service revenue:

1.20 (1) obligations under section 123B.61;

1.21 (2) the part of debt service principal and interest paid from the taconite environmental
1.22 protection fund or Douglas J. Johnson economic protection trust, excluding the portion of
1.23 taconite payments from the Iron Range school consolidation and cooperatively operated
1.24 school account under section 298.28, subdivision 7a;

2.1 (3) obligations issued under Laws 1991, chapter 265, article 5, section 18, as
 2.2 amended by Laws 1992, chapter 499, article 5, section 24;

2.3 (4) obligations under section 123B.62; and

2.4 (5) obligations equalized under section 123B.535.

2.5 (c) For purposes of this section, if a preexisting school district reorganized under
 2.6 sections 123A.35 to 123A.43, 123A.46, and 123A.48 is solely responsible for retirement
 2.7 of the preexisting district's bonded indebtedness, capital loans or debt service loans, debt
 2.8 service equalization aid must be computed separately for each of the preexisting districts.

2.9 (d) For purposes of this section, the adjusted net tax capacity determined according
 2.10 to sections 127A.48 and 273.1325 shall be adjusted to include the tax capacity of property
 2.11 generally exempted from ad valorem taxes under section 272.02, subdivision 64.

2.12 (e) For purposes of this section, the "net tax capacity eligible debt service revenue"
 2.13 of a district is defined as the total eligible debt service revenue of a district excluding any
 2.14 amount needed to meet the principal and interest payments obligations of the district
 2.15 for projects approved after June 30, 2015.

2.16 (f) For purposes of this section, "referendum market value eligible debt service
 2.17 revenue" is the difference between total eligible debt service revenue and net tax capacity
 2.18 eligible debt service revenue.

2.19 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

2.20 Sec. 2. Minnesota Statutes 2014, section 123B.53, subdivision 4, is amended to read:

2.21 Subd. 4. **Net tax capacity debt service equalization revenue.** (a) The net tax
 2.22 capacity debt service equalization revenue of a district equals the sum of the first tier net
 2.23 tax capacity debt service equalization revenue and the second tier net tax capacity debt
 2.24 service equalization revenue.

2.25 (b) The first tier net tax capacity debt service equalization revenue of a district equals
 2.26 the greater of zero or the eligible net tax capacity debt service revenue minus the amount
 2.27 raised by a levy of 15.74 percent times the adjusted net tax capacity of the district minus
 2.28 the second tier net tax capacity debt service equalization revenue of the district.

2.29 (c) The second tier net tax capacity debt service equalization revenue of a district
 2.30 equals the greater of zero or the eligible net tax capacity debt service revenue, excluding
 2.31 alternative facilities levies under section 123B.59, subdivision 5, minus the amount raised
 2.32 by a levy of 26.24 percent times the adjusted net tax capacity of the district.

2.33 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

3.1 Sec. 3. Minnesota Statutes 2014, section 123B.53, subdivision 5, is amended to read:

3.2 Subd. 5. **Equalized net tax capacity debt service levy.** (a) The equalized net tax
3.3 capacity debt service levy of a district equals the sum of the first tier equalized net tax
3.4 capacity debt service levy and the second tier equalized net tax capacity debt service levy.

3.5 (b) A district's first tier equalized net tax capacity debt service levy equals the
3.6 district's first tier net tax capacity debt service equalization revenue times the lesser of
3.7 one or the ratio of:

3.8 (1) the quotient derived by dividing the adjusted net tax capacity of the district for
3.9 the year before the year the levy is certified by the adjusted pupil units in the district for
3.10 the school year ending in the year prior to the year the levy is certified; to

3.11 (2) \$3,400 in fiscal year 2016 and \$4,430 in fiscal year 2017 and later.

3.12 (c) A district's second tier equalized net tax capacity debt service levy equals the
3.13 district's second tier net tax capacity debt service equalization revenue times the lesser of
3.14 one or the ratio of:

3.15 (1) the quotient derived by dividing the adjusted net tax capacity of the district for
3.16 the year before the year the levy is certified by the adjusted pupil units in the district for
3.17 the school year ending in the year prior to the year the levy is certified; to

3.18 (2) \$8,000.

3.19 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

3.20 Sec. 4. Minnesota Statutes 2014, section 123B.53, subdivision 6, is amended to read:

3.21 Subd. 6. **Net tax capacity debt service equalization aid.** (a) A district's net tax
3.22 capacity debt service equalization aid is the sum of the district's first tier net tax capacity
3.23 debt service equalization aid and the district's second tier net tax capacity debt service
3.24 equalization aid.

3.25 (b) A district's first tier net tax capacity debt service equalization aid equals the
3.26 difference between the district's first tier net tax capacity debt service equalization revenue
3.27 and the district's first tier equalized net tax capacity debt service levy.

3.28 (c) A district's second tier net tax capacity debt service equalization aid equals the
3.29 difference between the district's second tier net tax capacity debt service equalization
3.30 revenue and the district's second tier equalized net tax capacity debt service levy.

3.31 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

3.32 Sec. 5. Minnesota Statutes 2014, section 123B.53, is amended by adding a subdivision
3.33 to read:

4.1 **Subd. 8. Initial referendum market value debt service equalization revenue.** (a)
 4.2 The initial referendum market value debt service equalization revenue of a district equals
 4.3 the sum of the first tier referendum market value debt service equalization revenue and the
 4.4 second tier referendum market value debt service equalization revenue.

4.5 (b) The first tier referendum market value debt service equalization revenue of a
 4.6 district equals the greater of zero or the total eligible debt service revenue minus the amount
 4.7 raised by a levy of 0.2273 percent times the referendum market value of the district minus
 4.8 the second tier referendum market value debt service equalization revenue of the district.

4.9 (c) The second tier referendum market value debt service equalization revenue of
 4.10 a district equals the greater of zero or the total eligible debt service revenue, excluding
 4.11 alternative facilities levies under section 123B.59, subdivision 5, minus the amount raised
 4.12 by a levy of 0.3790 percent times the referendum market value of the district.

4.13 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

4.14 Sec. 6. Minnesota Statutes 2014, section 123B.53, is amended by adding a subdivision
 4.15 to read:

4.16 **Subd. 9. Equalized initial referendum market value debt service levy.** (a) The
 4.17 equalized initial referendum market value debt service levy of a district equals the sum
 4.18 of the first tier equalized referendum market value debt service levy and the second tier
 4.19 equalized referendum market value debt service levy.

4.20 (b) A district's first tier equalized referendum market value debt service levy equals
 4.21 the district's first tier referendum market value debt service equalization revenue times
 4.22 the lesser of one or the ratio of:

4.23 (1) the quotient derived by dividing the referendum market value of the district for
 4.24 the year before the year the levy is certified by the adjusted pupil units in the district for
 4.25 the school year ending in the year prior to the year the levy is certified; to

4.26 (2) \$235,416.

4.27 (c) A district's second tier equalized debt service levy equals the district's second tier
 4.28 debt service equalization revenue times the lesser of one or the ratio of:

4.29 (1) the quotient derived by dividing the referendum market value of the district for
 4.30 the year before the year the levy is certified by the adjusted pupil units in the district for
 4.31 the school year ending in the year prior to the year the levy is certified; to

4.32 (2) \$553,921.

4.33 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

5.1 Sec. 7. Minnesota Statutes 2014, section 123B.53, is amended by adding a subdivision
5.2 to read:

5.3 Subd. 10. **Initial referendum market value debt service equalization aid.** (a) A
5.4 district's initial referendum market value debt service equalization aid is equal to the sum
5.5 of the district's first tier referendum market value debt service equalization aid and the
5.6 district's second tier referendum market value debt service equalization aid.

5.7 (b) A district's first tier referendum market value debt service equalization aid
5.8 equals the difference between the district's first tier referendum market value debt service
5.9 equalization revenue and the district's first tier equalized referendum market value debt
5.10 service levy.

5.11 (c) A district's second tier referendum market value debt service equalization aid
5.12 equals the difference between the district's second tier referendum market value debt
5.13 service equalization revenue and the district's second tier equalized debt service levy.

5.14 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

5.15 Sec. 8. Minnesota Statutes 2014, section 123B.53, is amended by adding a subdivision
5.16 to read:

5.17 Subd. 11. **Actual referendum market value aid.** A district's actual referendum
5.18 market value debt service aid equals the district's initial referendum market value debt
5.19 service aid less its net tax capacity debt service equalization aid, provided that the aid may
5.20 not be greater than the district's referendum market value eligible debt service revenue,
5.21 nor may it be less than zero.

5.22 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

5.23 Sec. 9. Minnesota Statutes 2014, section 123B.55, is amended to read:

5.24 **123B.55 DEBT SERVICE LEVY.**

5.25 (a) A district may levy the amounts necessary to make payments for bonds issued
5.26 and for interest on them, including the bonds and interest on them, issued as authorized by
5.27 Minnesota Statutes 1974, section 275.125, subdivision 3, clause (7)(C); and the amounts
5.28 necessary for repayment of debt service loans and capital loans, minus the amount of debt
5.29 service equalization revenue of the district.

5.30 (b) Levies under this section for bonds authorized prior to July 1, 2015, must
5.31 be levied against the net tax capacity of the district, as defined under section 273.13,
5.32 subdivision 21b. Levies under this section for bonds authorized after June 30, 2015, must

6.1 be levied against the referendum market value of the district, as defined under section
6.2 126C.01, subdivision 3.

6.3 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

6.4 Sec. 10. Minnesota Statutes 2014, section 275.61, is amended to read:

6.5 **275.61 VOTER-APPROVED LEVY; MARKET VALUE.**

6.6 Subdivision 1. **Market value.** (a) For local governmental subdivisions other than
6.7 school districts, any levy approved by the voters at a general or special election shall be
6.8 levied against the referendum market value of all taxable property within the governmental
6.9 subdivision, as defined in section 126C.01, subdivision 3. Any levy amount subject to
6.10 the requirements of this section shall be certified separately to the county auditor under
6.11 section 275.07.

6.12 (b) The ballot shall state the maximum amount of the increased levy as a percentage
6.13 of market value and the amount that will be raised by the new referendum tax rate in the
6.14 first year it is to be levied.

6.15 (c) This subdivision does not apply to tax levies for the payment of debt obligations
6.16 that are approved by the voters after June 30, 2008, and before July 1, 2015.

6.17 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.