

Legislative Update: Omnibus Tax Bill (HF 677)

A) Overview of the Tax Bill

- 1) Revenue Raised: \$2.1 billion
 - a) Income tax: \$ 1.1 billion.
 - b) Corporate Franchise Tax: \$0.424 bill.
 - c) Sales Tax: \$0.059 billion.
 - d) Estate tax \$0.078 billion.
 - e) Cigarette and Tobacco Taxes: \$0.407 billion.

B) Provisions that are Priority, Supported By or Impact the City

1. Local Government Aid (LGA)
 - a) New formula.
 - b) \$80.0 million appropriation increase.
 - c) No inflator/stabilizer.
 - d) \$2.5 million appropriation increase in 2015 and 2016.
 - e) Minneapolis 2014 increase \$12.0 million to \$76.0 million.
2. Cities and Counties exempted from the sales tax
 - a) Exemption begins January 1, 2014.
 - b) Savings Report related to sales tax exemption included in Truth and Taxation Process.
3. Levy Limits
 - a) Limit for 2014 only.
 - b) Limit not codified.
 - c) Limit is generally 3% increase over 2013 but could be lower (not below 2012 levy). City could levy below its levy limit and 2013 levy.
 - d) Debt excluded from limits.
4. Individual Property Tax Relief
 - a) Renters credit adjusts income brackets and increases maximum amount.
 - b) "Circuit Breaker" renamed homestead credit refund. Income brackets and maximum amounts increased. Commissioner directed to identify and notify eligible recipients of eligibility. Notification limited to persons who may have at least \$1,000 of refund.
 - c) No increase in the state commercial industrial property tax levy.
5. Library Debt Service Relief
 - a) State to pay 40% of annual debt service of library bonds (except refinancings) issued before 2013.
 - b) Payment begins in November of 2016 for debt service due in 2017.
6. Class 4d Property
 - a) New class rate with two tiers beginning in assessment 2014. First tier is 0.75% of first \$100,000 of market value. Excess valued at 0.25%.

- b) 4d report to Legislature by January 31, 2015 to include analysis of 2nd tier and characteristics of the properties subject to the second tier. Revenue and Minnesota Housing to complete the report
 - c) TIF modification for qualifying TIF district.
- 7. Hennepin County Environment Response Fund.
 - a) Program extended by 15 years to 2028.
- 8. Special Service and Housing Improvement Districts
 - a) Authority to establish the districts extended to June 30, 2028.
- 9. Target/XCEL Coordination Study
 - a) Study due in February 2014.
 - b) State to contribute \$50,000.
 - c) Cities to contribute half of consultant contract.
- 10. Target Center
 - a) Property tax exemption for 2014. Local approval required.
 - b) Contractor at risk authority authorized. Local approval required.
- 11. Historic Tax Credits
 - a) New fee schedule for application – 0.5% of qualified rehabilitation expenses up to \$40,000.
 - b) Sunset extend to after fiscal year 2021 but reporting requirements and certificates awarded before fiscal year 2022 remain in effect to 2025 and 2024 respectively.
- 12. Tax Increment Financing and Value Capture
 - a) General TIF law changes.
 - b) Value Capture authority for street cars. Pilot project.
- 13. Tax Exempt Bonds – Carry Forward.