



Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: July 28, 2011

To: Chair Betsy Hodges and Ways and Means Committee

Subject: Discussion Item relating to state paid property tax relief for property damaged by the north Minneapolis tornado and located in an area designated as an emergency area.

Recommendation: Approve city council resolution (attached) requesting tax relief for damaged/destroyed property as part of an application to the State of Minnesota

Department Information

Prepared by: IGR, City Assessor, City Attorney

Approved by: _____

Presenters in Committee: Patrick Todd; Gene Ranieri, Susan Segal

Background Information. State paid property tax relief: Minnesota Statutes 273.1231 to 273.1235 establishes a state paid property tax relief for property located in an emergency area and physically damaged. To receive the relief an emergency has to be declared. On May 22, 2011 the mayor pursuant to Minnesota Statutes 12.29 and city ordinance (MCO 128.50) declared a local emergency. A Presidential declaration was announced on June 7, 2011. In addition to the emergency declaration; the city must submit an application to the Minnesota Executive Council. The Council consists of the Governor (who serves as the chair), lieutenant governor, secretary of state, state auditor and attorney general. Property tax relief that is available under the cited statute includes state paid homestead tax credits and tax abatement. The tax credits will be paid in the year following the emergency and the abatements will be paid in the year of the emergency.

To be approved by the Executive Council an application must include information that: (1) the average damage for the buildings that are damaged is at least \$5,000, and (2) either at least 25 taxable buildings were damaged, or the total dollar amount of damage to all taxable buildings equals or exceeds 1% of the total taxable market value of buildings for the applicant as reported to the Minnesota Department of Revenue in the year prior to the year of the damage. The city assessor has found that there are at least 25 taxable buildings that are damaged and the average damage is more than \$5,000.

The city assessor is required to reassess the damaged property in the area. For purposes of the state paid tax relief "reassessed market value" is the taxable market value of all property established for the January 2, assessment in the year that the disaster or destruction occurred, as adjusted by the assessor to reflect the loss of market value caused by the damage. The following example illustrates the definition:

January 2, 2011 Market Value = \$150,000
Value to reflect damage = \$120,000

Under general law for taxes payable in 2012, the property owner would pay taxes based on a \$120,000 value. The state of Minnesota would pay to the city, county, school and other districts an amount equal to the taxes paid on the lost value (\$30,000).

The statute also authorizes a state reimbursed tax abatement for properties that have been determined by the assessor to be 50% or more destroyed. The abatement would be for taxes in the year the damage occurred. The omnibus tax bill includes a provision (2011 First Special Session Chapter 7 Article 5 Section 13) that permits the general law credit applicable for taxes paid in 2012 to be an abatement of taxes paid in 2011. The amount of the abatement is subject to the limitations contained in general law and will be paid by the state. The Hennepin County Board is granted the authority to grant the abatement. A copy of the amendment is attached.

Information prepared by the Minnesota Department of Revenue regarding the program as well as the required resolution is attached.

Resolution by Hodges

Whereas, the City of Minneapolis experienced a disaster on Sunday May 22, 2011; and

Whereas, said disaster did cause extensive property damage to buildings in the City of Minneapolis; and

Whereas, the City of Minneapolis has been declared a disaster area by a Declaration of a Local Emergency declared pursuant to Minnesota Statutes, section 12.29 and City ordinance (MCO 128.50) and by Presidential Declaration (DR 1990)

And;

Whereas, Minnesota Statutes, sections 273.1231 through 273.1235, provides for tax relief for properties damaged by a disaster upon application to the Governor of the State of Minnesota and the State Executive Council; and

Whereas, the minimum requirements of the aforementioned statutes have been met;

Now, Therefore, Be It Resolved by the City Council of the City of Minneapolis:

That the City of Minneapolis does hereby request property tax relief under Minnesota Statutes, sections 273.1231 through 273.1235, for property damaged by the disaster that occurred on May 22, 2011.