



KEY: ~~stricken~~ = removed, old language. underscored = added, new language.

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**H.F. No. 2294, 1st Engrossment - 85th Legislative Session (2007-2008)** Posted on May 11, 2007

*1.1A* bill for an act

*1.2*relating to the financing and operation of state and local government; modifying

*1.3*property tax provisions, credits, and levies; providing a homestead credit state

*1.4*refund; increasing property tax refunds; providing a school bond agricultural

*1.5*credit; adding an income tax bracket and rate;amending Minnesota Statutes

*1.6*2006, sections 123B.53, subdivisions 4, 5; 123B.54; 126C.01, by adding a

*1.7*subdivision; 126C.10, subdivision 13a; 126C.17, subdivision 6; 127A.48, by

*1.8*adding a subdivision; 273.11, subdivision 1a; 273.1384, subdivision 1; 273.1393;

*1.9*275.065, subdivision 3; 275.07, subdivision 2; 275.08, subdivision 1b; 276.04,

*1.10*subdivision 2; 290.06, subdivisions 2c, 2d; 290A.03, subdivision 13; 290A.04,

*1.11*subdivisions 2a, 2h, 3, 4, by adding a subdivision; proposing coding for new

*1.12*law in Minnesota Statutes, chapter 123B; repealing Minnesota Statutes 2006,

*1.13*section 290A.04, subdivisions 2, 2b.

*1.14*BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

***1.15*ARTICLE 1**

***1.16*HOMESTEAD CREDIT STATE REFUND**

***1.17*HOMEOWNERS AND RENTERS**

*1.18* Section 1. Minnesota Statutes 2006, section 273.1384, subdivision 1, is amended to

*1.19*read:

*1.20* Subdivision 1. **Residential homestead market value credit.** (a)Each county

*1.21*auditor shall determine a homestead credit for each class 1a, 1b, and 2a homestead

*1.22*property within the county equal to 0.4 percent of the first \$76,000 of market value

*1.23*of the property minus .09 percent of the market value in excess of \$76,000. The credit

*1.24*amount may not be less than zero. In the case of an agricultural or resort homestead, only

*1.25*the market value of the house, garage, and immediately surrounding one acre of land is

*1.26*eligible in determining the property's homestead credit. In the case of a property that

*1.27*is classified as part homestead and part nonhomestead, (i) the credit shall apply only

*2.1*to the homestead portion of the property, but (ii) if a portion of a property is classified

*2.2*as nonhomestead solely because not all the owners occupy the property, not all the

*2.3*owners have qualifying relatives occupying the property, or solely because not all the

*2.4*spouses of owners occupy the property, the credit amount shall be initially computed as

*2.5*if that nonhomestead portion were also in the homestead class and then prorated to the

2.6owner-occupant's percentage of ownership. For the purpose of this section, when an  
2.7owner-occupant's spouse does not occupy the property, the percentage of ownership for  
2.8the owner-occupant spouse is one-half of the couple's ownership percentage.  
2.9 (b) For property taxes payable in 2008 and thereafter, the county auditor shall  
2.10determine the amount of the homestead credit under paragraph (a) and this paragraph.  
2.11The county auditor shall report the amount of the credit to the taxpayer on the property  
2.12tax statement or in another manner, as authorized by the commissioner of revenue. The  
2.13amount of the credit allowed for the property taxes payable year is to be computed as the  
2.14following percentage of the credit amount under paragraph (a):  
2.15 (1) for property taxes payable in 2008, 100 percent;  
2.16 (2) for property taxes payable in 2009, 60 percent;  
2.17 (3) for property taxes payable in 2010, 30 percent; and  
2.18 (4) for property taxes payable in 2011 or thereafter, no credit is allowed.  
2.19EFFECTIVE DATE. This section is effective beginning for property taxes payable  
2.20in 2008.

2.21 Sec. 2. Minnesota Statutes 2006, section 276.04, subdivision 2, is amended to read:  
2.22 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the  
2.23printing of the tax statements. The commissioner of revenue shall prescribe the form  
2.24of the property tax statement and its contents. The statement must contain a tabulated  
2.25statement of the dollar amount due to each taxing authority and the amount of the state  
2.26tax from the parcel of real property for which a particular tax statement is prepared. The  
2.27dollar amounts attributable to the county, the state tax, the voter approved school tax, the  
2.28other local school tax, the township or municipality, and the total of the metropolitan  
2.29special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must  
2.30be separately stated. The amounts due all other special taxing districts, if any, may be  
2.31aggregated except that any levies made by the regional rail authorities in the county of  
2.32Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A  
2.33shall be listed on a separate line directly under the appropriate county's levy. If the county  
2.34levy under this paragraph includes an amount for a lake improvement district as defined  
2.35under sections 103B.501 to 103B.581, the amount attributable for that purpose must be  
3.1separately stated from the remaining county levy amount. In the case of Ramsey County,  
3.2if the county levy under this paragraph includes an amount for public library service  
3.3under section 134.07, the amount attributable for that purpose may be separated from the  
3.4remaining county levy amount. The amount of the tax on homesteads qualifying under the  
3.5senior citizens' property tax deferral program under chapter 290B is the total amount of  
3.6property tax before subtraction of the deferred property tax amount. The amount of the  
3.7tax on contamination value imposed under sections 270.91 to 270.98, if any, must also  
3.8be separately stated. The dollar amounts, including the dollar amount of any special  
3.9assessments, may be rounded to the nearest even whole dollar. For purposes of this section  
3.10whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.  
3.11The amount of market value excluded under section 273.11, subdivision 16, if any, must  
3.12also be listed on the tax statement.  
3.13 (b) The property tax statements for manufactured homes and sectional structures  
3.14taxed as personal property shall contain the same information that is required on the  
3.15tax statements for real property.

3.16 (c) Real and personal property tax statements must contain the following information  
3.17 in the order given in this paragraph. The information must contain the current year tax  
3.18 information in the right column with the corresponding information for the previous year  
3.19 in a column on the left:

3.20 (1) the property's estimated market value under section 273.11, subdivision 1;

3.21 (2) the property's taxable market value after reductions under section 273.11,  
3.22 subdivisions 1a and 16 ;

3.23 (3) ~~the property's gross tax, calculated by adding the property's total property tax to~~  
3.24 ~~the sum of the aids enumerated in clause (4); any items required by the commissioner of~~  
3.25 ~~revenue under section 273.1384, subdivision 1, paragraph (b); and~~

3.26 (4) a total of the following aids:

3.27 (i) ~~education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C,~~  
3.28 ~~and 127A;~~

3.29 (ii) ~~local government aids for cities, towns, and counties under sections 477A.011 to~~  
3.30 ~~477A.04; and~~

3.31 (iii) ~~disparity reduction aid under section 273.1398;~~

3.32 (5) ~~for homestead residential and agricultural properties, the credits under section~~  
3.33 ~~273.1384;~~

3.34 (6) ~~any credits received under sections 273.119; 273.123; 273.135; 273.1391;~~

3.35 ~~273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received~~  
3.36 ~~under section 273.135 must be separately stated and identified as "taconite tax relief"; and~~

4.1 (7) (4) the net tax payable in the manner required in paragraph (a).

4.2 (d) If the county uses envelopes for mailing property tax statements and if the county  
4.3 agrees, a taxing district may include a notice with the property tax statement notifying  
4.4 taxpayers when the taxing district will begin its budget deliberations for the current  
4.5 year, and encouraging taxpayers to attend the hearings. If the county allows notices to  
4.6 be included in the envelope containing the property tax statement, and if more than  
4.7 one taxing district relative to a given property decides to include a notice with the tax  
4.8 statement, the county treasurer or auditor must coordinate the process and may combine  
4.9 the information on a single announcement.

4.10 ~~The commissioner of revenue shall certify to the county auditor the actual or~~

4.11 ~~estimated aids enumerated in paragraph (c), clause (4), that local governments will receive~~

4.12 ~~in the following year. The commissioner must certify this amount by January 1 of each~~  
4.13 ~~year.~~

4.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and

4.15 thereafter.

4.16 Sec. 3. Minnesota Statutes 2006, section 290A.03, subdivision 13, is amended to read:

4.17 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property

4.18 tax exclusive of special assessments, penalties, and interest payable on a claimant's

4.19 homestead after deductions made under sections 273.135, ~~273.1384~~, 273.1391, 273.42,

4.20 subdivision 2 , and any other state paid property tax credits in any calendar year, and

4.21 after any refund claimed and allowable under section 290A.04, subdivision 2h, that is

4.22 first payable in the year that the property tax is payable. Beginning for property taxes

4.23 payable in 2008, the amount of the credit under section 273.1384, subdivision 1, must

4.24 not be deducted in computing property taxes payable. In the case of a claimant who

4.25 makes ground lease payments, "property taxes payable" includes the amount of the  
 4.26 payments directly attributable to the property taxes assessed against the parcel on which  
 4.27 the house is located. No apportionment or reduction of the "property taxes payable" shall  
 4.28 be required for the use of a portion of the claimant's homestead for a business purpose if  
 4.29 the claimant does not deduct any business depreciation expenses for the use of a portion  
 4.30 of the homestead in the determination of federal adjusted gross income. For homesteads  
 4.31 which are manufactured homes as defined in section 273.125, subdivision 8, and for  
 4.32 homesteads which are park trailers taxed as manufactured homes under section 168.012,  
 4.33 subdivision 9, "property taxes payable" shall also include 19 percent of the gross rent paid  
 4.34 in the preceding year for the site on which the homestead is located. When a homestead  
 4.35 is owned by two or more persons as joint tenants or tenants in common, such tenants  
 5.1 shall determine between them which tenant may claim the property taxes payable on the  
 5.2 homestead. If they are unable to agree, the matter shall be referred to the commissioner of  
 5.3 revenue whose decision shall be final. Property taxes are considered payable in the year  
 5.4 prescribed by law for payment of the taxes.

5.5 In the case of a claim relating to "property taxes payable," the claimant must have  
 5.6 owned and occupied the homestead on January 2 of the year in which the tax is payable  
 5.7 and (i) the property must have been classified as homestead property pursuant to section  
 5.8 273.124, on or before December 15 of the assessment year to which the "property taxes  
 5.9 payable" relate; or (ii) the claimant must provide documentation from the local assessor  
 5.10 that application for homestead classification has been made on or before December 15  
 5.11 of the year in which the "property taxes payable" were payable and that the assessor has  
 5.12 approved the application.

5.13 **EFFECTIVE DATE.** This section is effective beginning for refund claims based on  
 5.14 property taxes payable in 2008.

5.15 Sec. 4. Minnesota Statutes 2006, section 290A.04, subdivision 2a, is amended to read:

5.16 Subd. 2a. **Renters.** (a) A claimant whose rent constituting property taxes exceeds  
 5.17 the percentage of the household income stated below must pay an amount equal to the  
 5.18 percent of income shown for the appropriate household income level along with the  
 5.19 percent to be paid by the claimant of the remaining amount of rent constituting property  
 5.20 taxes. The state refund equals the amount of rent constituting property taxes that remain,  
 5.21 up to the maximum state refund amount shown below.

5.22	Household Income	Percent of Income	Percent Paid by	Maximum State
5.24	<del>\$0 to 3,589</del>	1.0 percent	5 percent	<del>\$1,190</del>
5.25	<u>\$0 to 4,579</u>			<u>\$1,500</u>
5.26	<del>3,590 to 4,779</del>	1.0 percent	10 percent	<del>\$1,190</del>
5.27	<u>4,580 to 6,099</u>			<u>\$1,500</u>
5.28	<del>4,780 to 5,969</del>	1.1 percent	10 percent	<del>\$1,190</del>
5.29	<u>6,100 to 7,619</u>			<u>\$1,500</u>
5.30	<del>5,970 to 8,369</del>	1.2 percent	10 percent	<del>\$1,190</del>
5.31	<u>7,620 to 10,669</u>			<u>\$1,500</u>
5.32	<del>8,370 to 10,759</del>	1.3 percent	15 percent	<del>\$1,190</del>

5.32	<del>8,370 to 10,759</del>	1.3 percent	15 percent	\$1,190
5.33	<u>10,670 to 13,729</u>			\$1,500
5.34	<del>10,760 to 11,949</del>	1.4 percent	15 percent	\$1,190
5.35	<u>13,730 to 15,239</u>			\$1,500
5.36	<del>11,950 to 13,139</del>	1.4 percent	20 percent	\$1,190
5.37	<u>15,240 to 16,769</u>			\$1,500
6.1	<del>13,140 to 15,539</del>	1.5 percent	20 percent	\$1,190
6.2	<u>16,770 to 19,829</u>			\$1,500
6.3	<del>15,540 to 16,729</del>	1.6 percent	20 percent	\$1,190
6.4	<u>19,830 to 21,349</u>			\$1,500
6.5	<del>16,730 to 17,919</del>	1.7 percent	25 percent	\$1,190
6.6	<u>21,350 to 22,859</u>			\$1,500
6.7	<del>17,920 to 20,319</del>	1.8 percent	25 percent	\$1,190
6.8	<u>22,860 to 25,929</u>			\$1,500
6.9	<del>20,320 to 21,509</del>	1.9 percent	30 percent	\$1,190
6.10	<u>25,930 to 27,439</u>			\$1,500
6.11	<del>21,510 to 22,699</del>	2.0 percent	30 percent	\$1,190
6.12	<u>27,440 to 28,959</u>			\$1,500
6.13	<del>22,700 to 23,899</del>	2.2 percent	30 percent	\$1,190
6.14	<u>28,960 to 30,499</u>			\$1,500
6.15	<del>23,900 to 25,089</del>	2.4 percent	30 percent	\$1,190
6.16	<u>30,500 to 32,009</u>			\$1,500
6.17	<del>25,090 to 26,289</del>	2.6 percent	35 percent	\$1,190
6.18	<u>32,010 to 33,539</u>			\$1,500
6.19	<del>26,290 to 27,489</del>	2.7 percent	35 percent	\$1,190
6.20	<u>33,540 to 35,079</u>			\$1,500
6.21	<del>27,490 to 28,679</del>	2.8 percent	35 percent	\$1,190
6.22	<u>35,080 to 36,589</u>			\$1,500
6.23	<del>28,680 to 29,869</del>	2.9 percent	40 percent	\$1,190
6.24	<u>36,590 to 38,109</u>			\$1,500
6.25	<del>29,870 to 31,079</del>	3.0 percent	40 percent	\$1,190
6.26	<u>38,110 to 39,649</u>			\$1,500
6.27	<del>31,080 to 32,269</del>	3.1 percent	40 percent	\$1,190
6.28	<u>39,650 to 41,169</u>			\$1,500
6.29	<del>32,270 to 33,459</del>	3.2 percent	40 percent	\$1,190

6.30	<u>41,170 to 42,689</u>			<u>\$1,500</u>
6.31	<del>33,460 to 34,649</del>	3.3 percent	45 percent	<u>\$1,080</u>
6.32	<u>42,690 to 49,729</u>			<u>\$1,370</u>
6.33	<del>34,650 to 35,849</del>	3.4 percent	45 percent	<u>\$960</u>
6.34	<u>49,730 to 51,459</u>			<u>\$1,220</u>
6.35	<del>35,850 to 37,049</del>	3.5 percent	45 percent	<u>\$830</u>
6.36	<u>51,460 to 53,189</u>			<u>\$1,050</u>
6.37	<del>37,050 to 38,239</del>	3.5 percent	50 percent	<u>\$720</u>
6.38	<u>53,190 to 54,899</u>			<u>\$910</u>
6.39	<del>38,240 to 39,439</del>	3.5 percent	50 percent	<u>\$600</u>
6.40	<u>54,900 to 56,609</u>			<u>\$760</u>
6.41	<del>38,440 to 40,629</del>	3.5 percent	50 percent	<u>\$360</u>
6.42	<u>56,610 to 58,319</u>			<u>\$450</u>
7.1	<del>40,630 to 41,819</del>	3.5 percent	50 percent	<u>\$120</u>
7.2	<u>58,320 to 60,000</u>			<u>\$150</u>

7.3 (b) The payment made to a claimant is the amount of the state refund calculated  
7.4under this subdivision. No payment is allowed if the claimant's household income is  
7.5~~\$41,820~~ \$60,000 or more.

7.6**EFFECTIVE DATE.** This section is effective beginning for claims filed for rent  
7.7paid after December 31, 2006.

7.8 Sec. 5. Minnesota Statutes 2006, section 290A.04, subdivision 2h, is amended to read:

7.9 Subd. 2h. **Additional refund.** (a) If the gross property taxes payable on a  
7.10homestead increase more than 12 percent over the property taxes payable in the prior year  
7.11on the same property that is owned and occupied by the same owner on January 2 of both  
7.12years, and the amount of that increase is \$100 or more, a claimant who is a homeowner  
7.13shall be allowed an additional refund equal to 60 percent of the amount of the increase  
7.14over the greater of 12 percent of the prior year's property taxes payable or \$100. This  
7.15subdivision shall not apply to any increase in the gross property taxes payable attributable  
7.16to improvements made to the homestead after the assessment date for the prior year's  
7.17taxes. This subdivision shall not apply to any increase in the gross property taxes payable  
7.18attributable to the termination of valuation exclusions under section 273.11, subdivision  
7.1916 , or to the reduction in and elimination of the homestead market value credit under  
7.20section 273.1384, subdivision 1, paragraph (b).

7.21 The maximum refund allowed under this subdivision is \$1,000.

7.22 (b) For purposes of this subdivision "gross property taxes payable" means property  
7.23taxes payable determined without regard to the refund allowed under this subdivision.

7.24 (c) In addition to the other proofs required by this chapter, each claimant under  
7.25this subdivision shall file with the property tax refund return a copy of the property tax  
7.26statement for taxes payable in the preceding year or other documents required by the  
7.27commissioner.

7.28 (d) Upon request, the appropriate county official shall make available the names and  
 7.29addresses of the property taxpayers who may be eligible for the additional property tax  
 7.30refund under this section. The information shall be provided on a magnetic computer  
 7.31disk. The county may recover its costs by charging the person requesting the information  
 7.32the reasonable cost for preparing the data. The information may not be used for any  
 7.33purpose other than for notifying the homeowner of potential eligibility and assisting the  
 7.34homeowner, without charge, in preparing a refund claim.

8.1/EFFECTIVE DATE. This section is effective for claims based on property taxes  
 8.2payable in 2008 and thereafter.

8.3 Sec. 6. Minnesota Statutes 2006, section 290A.04, is amended by adding a subdivision  
 8.4to read:

8.5 Subd. 2k. Homestead credit state refund. (a) A claimant who is a homeowner  
 8.6is entitled to a state refund of the amount of the property taxes payable in excess of two  
 8.7percent of the claimant's household income, based on the percentage and maximum for the  
 8.8appropriate household income level shown below. The refund amount determined from the  
 8.9table must be reduced further by the amount of the homestead market value credit under  
 8.10section 273.1384, subdivision 1, paragraph (b), but not to an amount that is less than zero.

8.11	<u>Household Income</u>	<u>Refund Percentage</u>	<u>Maximum State Refund</u>
8.12	<u>0 to \$5,399</u>	<u>90 percent</u>	<u>\$2,500</u>
8.13	<u>5,400 to 18,899</u>	<u>85 percent</u>	<u>2,500</u>
8.14	<u>18,900 to 26,999</u>	<u>80 percent</u>	<u>2,500</u>
8.15	<u>27,000 to 32,399</u>	<u>75 percent</u>	<u>2,500</u>
8.16	<u>32,400 to 37,799</u>	<u>70 percent</u>	<u>2,500</u>
8.17	<u>37,800 to 45,899</u>	<u>65 percent</u>	<u>2,500</u>
8.18	<u>45,900 to 64,699</u>	<u>60 percent</u>	<u>2,500</u>
8.19	<u>64,700 to 80,899</u>	<u>55 percent</u>	<u>2,300</u>
8.20	<u>80,900 to 94,399</u>	<u>50 percent</u>	<u>2,100</u>
8.21	<u>94,400 to 99,299</u>	<u>45 percent</u>	<u>1,900</u>
8.22	<u>99,300 to 104,099</u>	<u>40 percent</u>	<u>1,700</u>
8.23	<u>104,100 to 115,599</u>	<u>30 percent</u>	<u>1,500</u>
8.24	<u>115,600 to 127,199</u>	<u>30 percent</u>	<u>1,250</u>
8.25	<u>127,200 to 134,099</u>	<u>25 percent</u>	<u>1,000</u>
8.26	<u>134,100 to 138,799</u>	<u>25 percent</u>	<u>750</u>
8.27	<u>138,800 to 144,399</u>	<u>25 percent</u>	<u>500</u>
8.28	<u>144,400 to 150,000</u>	<u>25 percent</u>	<u>250</u>

8.29 (b) No payment is allowed under paragraph (a) if the claimant's household income  
 8.30is more than \$150,000.

8.3/EFFECTIVE DATE. This section is effective beginning for claims based on

8.32 property taxes payable in 2008.

8.33 Sec. 7. Minnesota Statutes 2006, section 290A.04, subdivision 3, is amended to read:

8.34 Subd. 3. **Table.** The commissioner of revenue shall construct and make available  
8.35 to taxpayers a comprehensive table showing the ~~property taxes to be paid and~~ refund  
8.36 allowed at various levels of income ~~and assessment~~. The table shall follow the schedule  
9.1 of income percentages, maximums and other provisions specified in ~~subdivision 2~~ this  
9.2 section, except that the commissioner may graduate the transition between income  
9.3 brackets. All refunds shall be computed in accordance with tables prepared and issued  
9.4 by the commissioner of revenue.

9.5 The commissioner shall include on the form an appropriate space or method for the  
9.6 claimant to identify if the property taxes paid are for a manufactured home, as defined in  
9.7 section 273.125, subdivision 8, paragraph (c), or a park trailer taxed as a manufactured  
9.8 home under section 168.012, subdivision 9.

9.9 Sec. 8. Minnesota Statutes 2006, section 290A.04, subdivision 4, is amended to read:

9.10 Subd. 4. **Inflation adjustment.** Beginning for property tax refunds payable in  
9.11 calendar year ~~2002~~ 2009, the commissioner shall annually adjust the dollar amounts of  
9.12 the income thresholds and the maximum refunds under subdivisions ~~2 and 2a~~ and 2k for  
9.13 inflation. The commissioner shall make the inflation adjustments in accordance with  
9.14 section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision  
9.15 the percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2007,  
9.16 to the year ending on June 30 of the year preceding that in which the refund is payable.  
9.17 The commissioner shall use the appropriate percentage increase to annually adjust the  
9.18 income thresholds and maximum refunds under subdivisions ~~2 and 2a~~ and 2k for inflation  
9.19 without regard to whether or not the income tax brackets are adjusted for inflation in that  
9.20 year. The commissioner shall round the thresholds and the maximum amounts, as adjusted  
9.21 to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up  
9.22 to the next \$10 amount.

9.23 The commissioner shall annually announce the adjusted refund schedule at the same  
9.24 time provided under section 290.06. The determination of the commissioner under this  
9.25 subdivision is not a rule under the Administrative Procedure Act.

9.26 **EFFECTIVE DATE.** This section is effective beginning for claims based on  
9.27 property taxes payable in 2009.

9.28 Sec. 9. **HOMESTEAD CREDIT STATE REFUND TRANSITION RESERVE.**

9.29 Subdivision 1. **Reserve account.** A homestead credit state refund transition reserve  
9.30 account is established in the general fund to provide two additional years of transition  
9.31 funding for the homestead credit state refund.

9.32 Subd. 2. **Transfer to account.** On June 29, 2009, the commissioner of finance  
9.33 shall transfer \$129,000,000 from the general fund to the homestead credit state refund  
9.34 transition reserve account.

10.1 Subd. 3. **Transfer to general fund.** On July 1, 2009, the commissioner of finance  
10.2 shall transfer the balance in the homestead credit state refund transition reserve account  
10.3 to the general fund.

10.4 Subd. 4. **Expiration date.** This section expires July 2, 2009.



10.5 Sec. 10. **REPEALER.**

10.6 Minnesota Statutes 2006, section 290A.04, subdivisions 2 and 2b, are repealed.

10.7 **EFFECTIVE DATE.** This section is effective for claims based on property taxes

10.8 payable in 2008 and later.

## 10.9 **ARTICLE 2**

### 10.10 **EDUCATION PROPERTY TAX RELIEF**

10.11 Section 1. Minnesota Statutes 2006, section 123B.53, subdivision 4, is amended to read:

10.12 Subd. 4. **Debt service equalization revenue.** (a) The debt service equalization

10.13 ~~revenue of a district equals the sum of the first tier debt service equalization revenue and~~

10.14 ~~the second tier debt service equalization revenue.~~

10.15 (b) ~~The first tier debt service equalization revenue of a district equals the greater of~~

10.16 ~~zero or the eligible debt service revenue minus the amount raised by a levy of 15 percent~~

10.17 ~~times the adjusted debt service net tax capacity of the district minus the second tier debt~~

10.18 ~~service equalization revenue of the district.~~

10.19 (c) ~~The second tier debt service equalization revenue of a district equals the greater~~

10.20 ~~of zero or the eligible debt service revenue, excluding alternative facilities levies under~~

10.21 ~~section 123B.59, subdivision 5, minus the amount raised by a levy of 25 percent times the~~

10.22 ~~adjusted net tax capacity of the district.~~

10.23 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2009.

10.24 Sec. 2. Minnesota Statutes 2006, section 123B.53, subdivision 5, is amended to read:

10.25 Subd. 5. **Equalized debt service levy.** (a) ~~The equalized debt service levy of a~~

10.26 ~~district equals the sum of the first tier equalized debt service levy and the second tier~~

10.27 ~~equalized debt service levy.~~

10.28 (b) ~~A district's first tier equalized debt service levy equals the district's first tier debt~~

10.29 ~~service equalization revenue times the lesser of one or the ratio of:~~

10.30 (1) ~~the quotient derived by dividing the adjusted debt service net tax capacity of the~~

10.31 ~~district for the year before the year the levy is certified by the adjusted pupil units in the~~

10.32 ~~district for the school year ending in the year prior to the year the levy is certified; to~~

11.1 (2) ~~\$3,200~~ 100 percent of the statewide adjusted net tax capacity equalizing factor.

11.2 (c) ~~A district's second tier equalized debt service levy equals the district's second tier~~

11.3 ~~debt service equalization revenue times the lesser of one or the ratio of:~~

11.4 (1) ~~the quotient derived by dividing the adjusted net tax capacity of the district for~~

11.5 ~~the year before the year the levy is certified by the adjusted pupil units in the district for~~

11.6 ~~the school year ending in the year prior to the year the levy is certified; to~~

11.7 (2) ~~\$8,000.~~

11.8 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2009.

11.9 Sec. 3. Minnesota Statutes 2006, section 123B.54, is amended to read:

11.10 **123B.54 DEBT SERVICE AND SCHOOL BOND AGRICULTURAL CREDIT**

11.11 **APPROPRIATION.**

11.12 (a) ~~\$21,624,000~~ \$14,813,000 in fiscal year 2008 and ~~\$20,403,000,~~ \$26,100,000 in

11.13 fiscal year 2009, \$29,816,000 in fiscal year 2010, and \$30,538,000 in fiscal year 2011 and  
11.14 later are appropriated from the general fund to the commissioner of education for payment  
11.15 of debt service equalization aid under section 123B.53.

11.16 (b) \$16,200,000 in fiscal year 2009, \$18,531,000 in fiscal year 2010, and  
11.17 \$19,242,000 in fiscal year 2011 and each year thereafter are appropriated from the general  
11.18 fund to the commissioner of education for payment of school bond agricultural credit aid  
11.19 under section 123B.555.

11.20 ~~(b)~~(c) The appropriations in ~~paragraph~~ paragraphs (a) and (b) must be reduced by  
11.21 the amount of any money specifically appropriated for the same purpose in any year  
11.22 from any state fund.

11.23 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2009.

11.24 Sec. 4. **[123B.555] SCHOOL BOND AGRICULTURAL CREDIT.**

11.25 Subdivision 1. **Eligibility.** All class 2 property under section 273.13, subdivision 23,  
11.26 except for (1) property consisting of the house, garage, and immediately surrounding one  
11.27 acre of land of an agricultural homestead, and (2) property classified under section 273.13,  
11.28 subdivision 23, paragraph (b), clause (4), is eligible to receive the credit under this section.

11.29 Subd. 2. **Credit amount.** For each qualifying property, the school bond agricultural  
11.30 credit is equal to 36 percent of the property's eligible net tax capacity multiplied by the  
11.31 school debt tax rate determined under section 275.08, subdivision 1b.

11.32 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax  
11.33 reductions allowed under this section within the county for each taxes payable year and  
12.1 shall certify that amount to the commissioner of revenue as a part of the abstracts of tax  
12.2 lists submitted under section 275.29. Any prior year adjustments shall also be certified on  
12.3 the abstracts of tax lists. The commissioner shall review the certifications for accuracy,  
12.4 and may make such changes as are deemed necessary, or return the certification to the  
12.5 county auditor for correction. The credit under this section must be used to reduce the  
12.6 school district net tax capacity-based property tax as provided in section 273.1393.

12.7 Subd. 4. **Payment.** The commissioner of revenue shall certify the total of the tax  
12.8 reductions granted under this section for each taxes payable year within each school  
12.9 district to the commissioner of education, who shall pay the reimbursement amounts to  
12.10 each school district as provided in section 273.1392.

12.11 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

12.12 Sec. 5. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision  
12.13 to read:

12.14 Subd. 2a. **Statewide adjusted net tax capacity equalizing factor.** The statewide  
12.15 adjusted net tax capacity equalizing factor equals the quotient derived by dividing the total  
12.16 adjusted net tax capacity of all school districts in the state for the year before the year  
12.17 the levy is certified by the total number of adjusted pupil units in the state for the fiscal  
12.18 year preceding the year the levy is certified.

12.19 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

12.20 Sec. 6. Minnesota Statutes 2006, section 126C.10, subdivision 13a, is amended to read:

12.21 Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal  
12.22 year 2007 and later, a district may levy an amount not more than the product of its

12.23 operating capital revenue for the fiscal year times the lesser of one or the ratio of its  
12.24 adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital  
12.25 equalizing factor. The operating capital equalizing factor equals ~~\$22,222 for fiscal year~~  
12.26 ~~2006, and \$10,700 for fiscal year~~ years 2007 and later 2008, and \$21,250 for fiscal year  
12.27 2009 and later.

12.28 Sec. 7. Minnesota Statutes 2006, section 126C.17, subdivision 6, is amended to read:

12.29 Subd. 6. **Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~

12.30A district's referendum equalization levy equals the sum of the first tier referendum  
12.31 equalization levy and the second tier referendum equalization levy.

13.1 (b) A district's first tier referendum equalization levy equals the district's first tier

13.2 referendum equalization revenue times the lesser of one or the ratio of the district's

13.3 referendum market value per resident marginal cost pupil unit to ~~\$476,000~~ 111 percent of  
13.4 the referendum market value equalizing factor.

13.5 (c) A district's second tier referendum equalization levy equals the district's second

13.6 tier referendum equalization revenue times the lesser of one or the ratio of the district's

13.7 referendum market value per resident marginal cost pupil unit to ~~\$270,000~~ 60 percent of  
13.8 the referendum market value equalizing factor.

13.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

13.10 Sec. 8. Minnesota Statutes 2006, section 127A.48, is amended by adding a subdivision  
13.11 to read:

13.12 **Subd. 17. Adjusted debt service net tax capacity.** To calculate each district's

13.13 adjusted debt service net tax capacity, the commissioner of revenue must recompute

13.14 the amounts in this section using an alternative sales ratio comparing the sales price to  
13.15 the estimated market value of the property.

13.16 **EFFECTIVE DATE.** This section is effective the day following final enactment for

13.17 computing taxes payable in 2008.

13.18 Sec. 9. Minnesota Statutes 2006, section 273.11, subdivision 1a, is amended to read:

13.19 Subd. 1a. **Limited market value.** In the case of all property classified as

13.20 agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber,

13.21 or noncommercial seasonal residential recreational, the assessor shall compare the value

13.22 with the taxable portion of the value determined in the preceding assessment.

13.23 For assessment years 2004, 2005, and 2006, the amount of the increase shall not

13.24 exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25

13.25 percent of the difference between the current assessment and the preceding assessment.

13.26 For assessment year 2007, the amount of the increase shall not exceed the greater of

13.27 (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference

13.28 between the current assessment and the preceding assessment.

13.29 For assessment year 2008, the amount of the increase shall not exceed the greater of

13.30 (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference

13.31 between the current assessment and the preceding assessment.

14.1 This limitation shall not apply to increases in value due to improvements. For

14.2 purposes of this subdivision, the term "assessment" means the value prior to any exclusion

14.3 under subdivision 16.

14.4 The provisions of this subdivision shall be in effect through assessment year 2008  
14.5as provided in this subdivision.  
14.6 For purposes of the assessment/sales ratio study conducted under section 127A.48,  
14.7and the computation of state aids paid under chapters 122A, 123A, 123B, excluding  
14.8section 123B.53, 124D, 125A, 126C, 127A, and 477A, market values and net tax  
14.9capacities determined under this subdivision and subdivision 16, shall be used.  
14.10**EFFECTIVE DATE.**This section is effective the day following final enactment for  
14.11computing taxes payable in 2008.

14.12 Sec. 10. Minnesota Statutes 2006, section 273.1393, is amended to read:

14.13**273.1393 COMPUTATION OF NET PROPERTY TAXES.**

14.14 Notwithstanding any other provisions to the contrary, "net" property taxes are  
14.15determined by subtracting the credits in the order listed from the gross tax:

14.16 (1) disaster credit as provided in section 273.123;

14.17 (2) powerline credit as provided in section 273.42;

14.18 (3) agricultural preserves credit as provided in section 473H.10;

14.19 (4) enterprise zone credit as provided in section 469.171;

14.20 (5) disparity reduction credit;

14.21 (6) conservation tax credit as provided in section 273.119;

14.22 (7) homestead and agricultural credits as provided in section 273.1384;

14.23 (8) school bond agricultural credit as provided in section 123B.555;

14.24 ~~(8)~~ (9) taconite homestead credit as provided in section 273.135; and

14.25 ~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391.

14.26 The combination of all property tax credits must not exceed the gross tax amount.

14.27**EFFECTIVE DATE.**This section is effective for taxes payable in 2008.

14.28 Sec. 11. Minnesota Statutes 2006, section 275.065, subdivision 3, is amended to read:

14.29 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare  
14.30and the county treasurer shall deliver after November 10 and on or before November 24  
14.31each year, by first class mail to each taxpayer at the address listed on the county's current  
14.32year's assessment roll, a notice of proposed property taxes.

14.33 (b) The commissioner of revenue shall prescribe the form of the notice.

15.1 (c) The notice must inform taxpayers that it contains the amount of property taxes  
15.2each taxing authority proposes to collect for taxes payable the following year. In the case  
15.3of a town, or in the case of the state general tax, the final tax amount will be its proposed  
15.4tax. In the case of taxing authorities required to hold a public meeting under subdivision 6,  
15.5the notice must clearly state that each taxing authority, including regional library districts  
15.6established under section 134.201, and including the metropolitan taxing districts as  
15.7defined in paragraph (i), but excluding all other special taxing districts and towns, will  
15.8hold a public meeting to receive public testimony on the proposed budget and proposed or  
15.9final property tax levy, or, in case of a school district, on the current budget and proposed  
15.10property tax levy. It must clearly state the time and place of each taxing authority's  
15.11meeting, a telephone number for the taxing authority that taxpayers may call if they have  
15.12questions related to the notice, and an address where comments will be received by mail.

15.13 (d) The notice must state for each parcel:

15.14 (1) the market value of the property as determined under section 273.11, and used

15.15 for computing property taxes payable in the following year and for taxes payable in the  
15.16 current year as each appears in the records of the county assessor on November 1 of the  
15.17 current year; and, in the case of residential property, whether the property is classified as  
15.18 homestead or nonhomestead. The notice must clearly inform taxpayers of the years to  
15.19 which the market values apply and that the values are final values;

15.20 (2) the items listed below, shown separately by county, city or town, and state  
15.21 general tax, net of the residential and agricultural homestead credit under section 273.1384  
15.22 and the school bond agricultural credit under section 123B.555, voter approved school  
15.23 levy, other local school levy, and the sum of the special taxing districts, and as a total  
15.24 of all taxing authorities:

15.25 (i) the actual tax for taxes payable in the current year; and  
15.26 (ii) the proposed tax amount.

15.27 If the county levy under clause (2) includes an amount for a lake improvement  
15.28 district as defined under sections 103B.501 to 103B.581, the amount attributable for that  
15.29 purpose must be separately stated from the remaining county levy amount.

15.30 In the case of a town or the state general tax, the final tax shall also be its proposed  
15.31 tax unless the town changes its levy at a special town meeting under section 365.52. If a  
15.32 school district has certified under section 126C.17, subdivision 9, that a referendum will  
15.33 be held in the school district at the November general election, the county auditor must  
15.34 note next to the school district's proposed amount that a referendum is pending and that,  
15.35 if approved by the voters, the tax amount may be higher than shown on the notice. In  
15.36 the case of the city of Minneapolis, the levy for the Minneapolis Library Board and the  
16.1 levy for Minneapolis Park and Recreation shall be listed separately from the remaining  
16.2 amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul  
16.3 Library Agency must be listed separately from the remaining amount of the city's levy.  
16.4 In the case of Ramsey County, any amount levied under section 134.07 may be listed  
16.5 separately from the remaining amount of the county's levy. In the case of a parcel where  
16.6 tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies,  
16.7 the proposed tax levy on the captured value or the proposed tax levy on the tax capacity  
16.8 subject to the areawide tax must each be stated separately and not included in the sum of  
16.9 the special taxing districts; and

16.10 (3) the increase or decrease between the total taxes payable in the current year and  
16.11 the total proposed taxes, expressed as a percentage.

16.12 For purposes of this section, the amount of the tax on homesteads qualifying under  
16.13 the senior citizens' property tax deferral program under chapter 290B is the total amount  
16.14 of property tax before subtraction of the deferred property tax amount.

16.15 (e) The notice must clearly state that the proposed or final taxes do not include  
16.16 the following:

16.17 (1) special assessments;

16.18 (2) levies approved by the voters after the date the proposed taxes are certified,  
16.19 including bond referenda and school district levy referenda;

16.20 (3) a levy limit increase approved by the voters by the first Tuesday after the first  
16.21 Monday in November of the levy year as provided under section 275.73;

16.22 (4) amounts necessary to pay cleanup or other costs due to a natural disaster  
16.23 occurring after the date the proposed taxes are certified;

16.24 (5) amounts necessary to pay tort judgments against the taxing authority that become

16.25 final after the date the proposed taxes are certified; and

16.26 (6) the contamination tax imposed on properties which received market value

16.27 reductions for contamination.

16.28 (f) Except as provided in subdivision 7, failure of the county auditor to prepare or

16.29 the county treasurer to deliver the notice as required in this section does not invalidate the

16.30 proposed or final tax levy or the taxes payable pursuant to the tax levy.

16.31 (g) If the notice the taxpayer receives under this section lists the property as

16.32 nonhomestead, and satisfactory documentation is provided to the county assessor by the

16.33 applicable deadline, and the property qualifies for the homestead classification in that

16.34 assessment year, the assessor shall reclassify the property to homestead for taxes payable

16.35 in the following year.

17.1 (h) In the case of class 4 residential property used as a residence for lease or rental

17.2 periods of 30 days or more, the taxpayer must either:

17.3 (1) mail or deliver a copy of the notice of proposed property taxes to each tenant,

17.4 renter, or lessee; or

17.5 (2) post a copy of the notice in a conspicuous place on the premises of the property.

17.6 The notice must be mailed or posted by the taxpayer by November 27 or within

17.7 three days of receipt of the notice, whichever is later. A taxpayer may notify the county

17.8 treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to

17.9 which the notice must be mailed in order to fulfill the requirements of this paragraph.

17.10 (i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special

17.11 taxing districts" means the following taxing districts in the seven-county metropolitan area

17.12 that levy a property tax for any of the specified purposes listed below:

17.13 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325,

17.14 473.446, 473.521, 473.547, or 473.834;

17.15 (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672;

17.16 and

17.17 (3) Metropolitan Mosquito Control Commission under section 473.711.

17.18 For purposes of this section, any levies made by the regional rail authorities in the

17.19 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter

17.20 398A shall be included with the appropriate county's levy and shall be discussed at that

17.21 county's public hearing.

17.22 (j) The governing body of a county, city, or school district may, with the consent

17.23 of the county board, include supplemental information with the statement of proposed

17.24 property taxes about the impact of state aid increases or decreases on property tax

17.25 increases or decreases and on the level of services provided in the affected jurisdiction.

17.26 This supplemental information may include information for the following year, the current

17.27 year, and for as many consecutive preceding years as deemed appropriate by the governing

17.28 body of the county, city, or school district. It may include only information regarding:

17.29 (1) the impact of inflation as measured by the implicit price deflator for state and

17.30 local government purchases;

17.31 (2) population growth and decline;

17.32 (3) state or federal government action; and

17.33 (4) other financial factors that affect the level of property taxation and local services

17.34 that the governing body of the county, city, or school district may deem appropriate to

17.35 include.

18.1 The information may be presented using tables, written narrative, and graphic  
18.2 representations and may contain instruction toward further sources of information or  
18.3 opportunity for comment.

18.4 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

18.5 Sec. 12. Minnesota Statutes 2006, section 275.07, subdivision 2, is amended to read:

18.6 Subd. 2. **School district in more than one county levies; special requirements.** (a)

18.7 In school districts lying in more than one county, the clerk shall certify the tax levied to the  
18.8 auditor of the county in which the administrative offices of the school district are located.

18.9 (b) The clerk shall identify the portion of the school district levy that is levied for the  
18.10 purposes specified in section 123B.53, subdivision 5, as the school debt levy at the time

18.11 that the levy is certified under this section.

18.12 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

18.13 Sec. 13. Minnesota Statutes 2006, section 275.08, subdivision 1b, is amended to read:

18.14 Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against

18.15 net tax capacity under section 275.07 by an individual local government unit shall be

18.16 divided by the total net tax capacity of all taxable properties within the local government

18.17 unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate,

18.18 multiplied by each property's net tax capacity shall be each property's net tax capacity tax

18.19 for that local government unit before reduction by any credits.

18.20 (b) The auditor shall also determine the school debt tax rate for each school district

18.21 equal to the school debt levy certified under section 275.07 divided by the total net tax

18.22 capacity of all taxable property within the district.

18.23 (c) Any amount certified to the county auditor to be levied against market value shall

18.24 be divided by the total referendum market value of all taxable properties within the taxing

18.25 district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by

18.26 each property's referendum market value shall be each property's new referendum tax

18.27 before reduction by any credits. For the purposes of this subdivision, "referendum market

18.28 value" means the market value as defined in section 126C.01, subdivision 3.

18.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

### 19.1 **ARTICLE 3**

#### 19.2 **INCOME TAX**

19.3 Section 1. Minnesota Statutes 2006, section 290.06, subdivision 2c, is amended to read:

19.4 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income

19.5 taxes imposed by this chapter upon married individuals filing joint returns and surviving

19.6 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by

19.7 applying to their taxable net income the following schedule of rates:

19.8 (1) On the first ~~\$25,680~~ \$31,150, 5.35 percent;

19.9 (2) On all over ~~\$25,680~~ \$31,150, but not over ~~\$102,030~~ \$123,750, 7.05 percent;

19.10 (3) On all over ~~\$102,030~~ \$123,750, but not over \$400,000, 7.85 percent;

19.11 (4) On all over \$400,000, 9 percent.

19.12 Married individuals filing separate returns, estates, and trusts must compute their

19.13 income tax by applying the above rates to their taxable income, except that the income  
19.14 brackets will be one-half of the above amounts.

19.15 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
19.16 computed by applying to taxable net income the following schedule of rates:

19.17 (1) On the first ~~\$17,570~~ \$21,310, 5.35 percent;

19.18 (2) On all over ~~\$17,570~~ \$21,310, but not over ~~\$57,710~~ \$69,990, 7.05 percent;

19.19 (3) On all over ~~\$57,710~~ \$69,990, but not over \$226,230, 7.85 percent;

19.20 (4) On all over \$226,230, 9 percent.

19.21 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying  
19.22 as a head of household as defined in section 2(b) of the Internal Revenue Code must be  
19.23 computed by applying to taxable net income the following schedule of rates:

19.24 (1) On the first ~~\$21,630~~ \$26,230, 5.35 percent;

19.25 (2) On all over ~~\$21,630~~ \$26,230, but not over ~~\$86,910~~ \$105,410, 7.05 percent;

19.26 (3) On all over ~~\$86,910~~ \$105,410, but not over \$340,720, 7.85 percent;

19.27 (4) On all over \$340,720, 9 percent.

19.28 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the  
19.29 tax of any individual taxpayer whose taxable net income for the taxable year is less than  
19.30 an amount determined by the commissioner must be computed in accordance with tables  
19.31 prepared and issued by the commissioner of revenue based on income brackets of not  
19.32 more than \$100. The amount of tax for each bracket shall be computed at the rates set  
19.33 forth in this subdivision, provided that the commissioner may disregard a fractional part of  
19.34 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

20.1 (e) An individual who is not a Minnesota resident for the entire year must compute  
20.2 the individual's Minnesota income tax as provided in this subdivision. After the  
20.3 application of the nonrefundable credits provided in this chapter, the tax liability must  
20.4 then be multiplied by a fraction in which:

20.5 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
20.6 as defined in section 62 of the Internal Revenue Code and increased by the additions  
20.7 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), and (9),  
20.8 and reduced by the Minnesota assignable portion of the subtraction for United States  
20.9 government interest under section 290.01, subdivision 19b, clause (1), and the subtractions  
20.10 under section 290.01, subdivision 19b, clauses (9), (10), (14), (15), and (16), after applying  
20.11 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

20.12 (2) the denominator is the individual's federal adjusted gross income as defined in  
20.13 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
20.14 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), and (9), and reduced by the  
20.15 amounts specified in section 290.01, subdivision 19b, clauses (1), (9), (10), (14), (15),  
20.16 and (16).

20.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
20.18 December 31, 2006.

20.19 Sec. 2. Minnesota Statutes 2006, section 290.06, subdivision 2d, is amended to read:

20.20 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
20.21 December 31, 2000 2007, the minimum and maximum dollar amounts for each rate

20.22 bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the  
20.23 percentage determined under paragraph (b). For the purpose of making the adjustment as



20.24 provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the  
20.25 rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2006,  
20.26 and before January 1, ~~2001~~ 2008. The rate applicable to any rate bracket must not be  
20.27 changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes  
20.28 in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10  
20.29 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.  
20.30 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
20.31 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in  
20.32 section 1(f)(3)(B) the word "~~1999~~" "2006" shall be substituted for the word "1992." For  
20.33 ~~2001~~ 2008, the commissioner shall then determine the percent change from the 12 months  
20.34 ending on August 31, ~~1999~~ 2006, to the 12 months ending on August 31, ~~2000~~ 2007, and  
20.35 in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2006, to the 12  
21.1 months ending on August 31 of the year preceding the taxable year. The determination of  
21.2 the commissioner pursuant to this subdivision shall not be considered a "rule" and shall  
21.3 not be subject to the Administrative Procedure Act contained in chapter 14.  
21.4 No later than December 15 of each year, the commissioner shall announce the  
21.5 specific percentage that will be used to adjust the tax rate brackets.  
21.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
21.7 December 31, 2006.

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